

APPENDIX A1

**SAMPLE CONTRACTOR AUDIT REPORT
FOR NON-PROFIT AGENCY**

(MEETS SINGLE AUDIT REQUIREMENTS)

XYZ CHILD DEVELOPMENT, INC.

FISCAL YEAR ENDED JUNE 30, 200X

SAMPLE CONTRACTOR AUDIT REPORT

XYZ Child Development, Inc.

Fiscal Year Ended June 30, 200X

TABLE OF CONTENTS

	<u>Page No.</u>
GENERAL INFORMATION	A – 4
INDEPENDENT AUDITOR’S REPORT	A – 5
FINANCIAL STATEMENTS:	
Statement of Financial Position	A – 7
Statement of Activities	A – 8
Statement of Functional Expenses	A – 9
Statement of Cash Flows	A – 10
Notes to Financial Statements	A – 11
SUPPLEMENTARY INFORMATION:	
Combining Statement of Financial Position	A – 23
Combining Statement of Changes in Net Assets	A – 24
Combining Statement of Activities	A – 25
Schedule of Expenditures of Federal AND STATE Awards	A – 26
Combining Schedule of Renovation and Repair Expenditures	A – 27
Combining Schedule of Equipment Expenditures	A – 28
Combining Schedule of Administrative Costs	A – 29
Combining Schedule of Expenditures by State Categories	A – 30
Child and Adult Day Care Food Program:	
<u>Centers:</u>	
Schedule of Reported, Adjusted and Allowed Meals and Earned Reimbursement	A – 31
Schedule of Reported, Adjusted and Allowed Enrollment	A – 32
Schedule of Reported, Adjusted and Allowed Meals	A – 33
<u>Day Care Homes:</u>	
Schedule of Reported, Adjusted, Allowed Meals, Sites and Earned Reimbursement	A – 35
Schedule of Reported, Adjusted and Allowed Meals and Homes	A – 36
Determination of Allowable Administrative Reimbursement	A – 40
Schedule of Reported, Adjusted and Allowed Administrative Income	A – 41
Determination of Reported, Adjusted and Allowed Cost	A – 42
Determination of Budget Deficit	A – 43
Determination of Allowed Provider Payments	A – 44

SAMPLE CONTRACTOR AUDIT REPORT

XYZ Child Development, Inc.

Fiscal Year Ended June 30, 200X

TABLE OF CONTENTS (continued)

	<u>Page</u>	<u>No.</u>
SUPPLEMENTARY INFORMATION (CONTINUED):		
Report on Compliance and Internal Control Over Financial Reporting Based on Audit of Financial Statements In Accordance with Government Auditing Standards	A – 45	
Notes to Supplementary Information	A – 47	
Management Letter (If Any)	A – 50	
AUDITED FINAL ATTENDANCE AND FISCAL REPORT FORMS:		
AUD 1000	Audit Form Number Cross-Reference to Child Development Programs	A – 51
AUD 8501	Audited Final Attendance and Fiscal Report for State Preschool Programs (GWAP)	A – 52
AUD 9500	Audited Final Attendance and Fiscal Report for Child Development Programs (GCTR & FCTR)	A – 54
AUD 9500-AP	Audited Final Fiscal Report for Alternative Payment or Family Child Care Home Programs (F3TO)	A – 58
AUD 9516-H	Audited Final Attendance and Fiscal Report for School Age Community Child Care Services – Hours (GLTK)	A – 59
AUD 9529	Audited Final Revenue & Expenditure Report for One-Time-Only Contracts (FLPC)	A – 61
AUD 9529	Audited Final Revenue & Expenditure Report for One-Time-Only Contracts (GIMS)	A – 62
AUD 9530-A	Audited Final Reserve Account Cash Activity Reports (Center Based)	A – 63
AUD 9530-A	Audited Final Reserve Account Cash Activity Reports (AP)	A – 64
ADDITIONAL INFORMATION REQUIRED FOR AUDITS SUBJECT TO OMB CIRCULAR A-133:		
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	A – 65	
Schedule of Findings and Questioned Costs	A – 67	
Draft Data Collection Form, SF-SAC(3-20-2001) OMB #0348-0057	A – 72	

XYZ Child Development, Inc.
GENERAL INFORMATION

June 30, 200X

1. Full official name of the agency XYZ Child Development, Inc.
2. Program name and contract number:
General Center GCTRxxxx
Child Care and Development Block Grant Center. FCTRxxxx
Extended Day Care (Latchkey) GLTKxxxx
CCD Block Grant Expansion Alternative Payment, Stage III CalWORKs .. F3TOxxxx
CCD Block Grant Local Planning Council FLPCxxxx
GCC Instructional Materials and Supplies GIMSxxxx
Preschool Sub-Contract, XYZ School District GWAPxxxx
3. Type of agency Nonprofit Corporation
4. Address of agency headquarters 1000 N. Main Street
Small Town, CA 958xx
5. Names and address of Executive Director
and name of Chief Executive Officer, Business
Officer, or Accountant

Executive Director Gina Anonymous
2000 S. Child Drive
Smalltown, CA 9xxxx

Business Officer Joe McNice
6. Telephone number (916) 555-1212
7. Period covered by examination July 1, 200X through June 30, 200X
8. Number of days of agency operation 250 days
9. Scheduled hours of operation each day Homes: Up to 23 hours a day
Centers: 7:00 a.m. - 6:00 p.m.
Office: 8:15 a.m.-5:00 p.m.

Auditor's Letterhead

Independent Auditor's Report

To the Board of Directors
XYZ Child Development, Inc.

We have audited the accompanying statement of financial position of **XYZ Child Development, Inc.** (a not-for-profit organization), as of June 30, 200X, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of **XYZ Child Development, Inc.**'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **XYZ Child Development, Inc.**, as of June 30, 200X and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated September XX, 200X, on our consideration of **XYZ Child Development, Inc.**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted primarily for the purpose of expressing an opinion on these basic financial statements taken as a whole. The accompanying Combining Schedule of Expenditures by State Categories and the California Department of Education supplementary information for the year ended June 30, 200X, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Independent Auditor's Report (Continued)

This additional information has been subjected to the audit procedures applied in the audit of the basic financial statements, which are in conformity with the Audit Guide for Audits of Child Development and Nutrition Programs issued by the California Department of Education, and all other laws, regulations and sub-grant requirements. In our opinion, this additional information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bean, Bean & Counter
Certified Public Accountants

September 30, 200X

XYZ CHILD DEVELOPMENT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 200X

ASSETS

Cash	\$ 982,725
Accounts Receivable:	
Parent Fees	86,600
State of California	15,521
Employees	334
Food Subsidy Receivable	8,034
Promises and Contributions, net (Note 4)	185,333
Total Accounts Receivable	295,822
Investments, at fair value (Note 5)	600,130
Prepaid Insurance Expense	1,132
Due from Other Funds (Note 18)	322,544
Total Current Assets	2,202,353
Long-Term Promises and Contributions, net (Note 4)	117,667
Long-Term Investments, at fair value (Note 5)	334,634
Land, Building and Equipment, net (Note 3)	1,290,000
Total Assets	\$ 3,944,654

LIABILITIES AND NET ASSETS

Accounts Payable	\$ 649,616
State of California	454,025
Employees Vacation (Note 6)	68,486
Due to Child Care Providers (Note 7)	349,080
Food Subsidy Advance (Note 8)	41,366
Accrued Wages and Payroll Taxes	37,000
Refundable Deposits	16
Due to Other Funds (Note 18)	322,544
Deferred Income (Note 9)	50,000
State and Child Development Reserves (Note 13)	223,231
Current Portion Under Capital Leases (Note 11B)	\$ 50,000
Total Current Liabilities	2,245,364
Government Owned Fixed Assets (Note 3)	275,000
Long-Term Capital Leases Payable (Note 11B)	\$ 609,000
Total Liabilities	3,129,364

NET ASSETS

Unrestricted (Note 20)	1,066,333
Temporarily Restricted (Note 19)	(251,043)
Total Net Assets	\$ 815,290
TOTAL LIABILITIES AND NET ASSETS	\$ 3,944,654

The accompanying notes are an integral part of these financial statements

XYZ Child Development, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 200X

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT, REVENUE AND GAINS			
Support			
State Appointments - One Time Only Grants	\$	\$ 26,545	\$ 26,545
Restricted Program Income:			
- United Way	86,966		86,966
- Donations and Promises	383,000		383,000
- Private Foundation Rent Subsidy	60,000		60,000
- Maintenance of Effort	27,000		27,000
- CACFP Audit Cost Reimbursement	3,000		3,000
- Transfers from CDD Reserves	5,000		5,000
- In-Kind Services and Matching (Note 2E)	<u>2,500</u>	<u>2,500</u>	<u>5,000</u>
Total Support	<u>567,466</u>	<u>29,045</u>	<u>596,511</u>
Revenue			
State Apportionments	\$ 806,500		806,500
Federal Funds	6,834,092		6,834,092
Non-Government Sponsored Programs	408,167		408,167
Parent Fees	327,081		327,081
Investment Income:			
- Interest	6,445	250	6,695
- Dividends	1,751		1,751
Fundraising and Other Income	<u>10,161</u>		<u>10,161</u>
Total Revenue	<u>8,394,197</u>	<u>250</u>	<u>8,394,447</u>
Gains			
Investments, Net Realized and Unrealized	<u>2,825</u>		<u>2,825</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of Program Restrictions	5,400	(5,400)	
TOTAL SUPPORT, REVENUE AND GAINS	<u>8,969,888</u>	<u>23,895</u>	<u>8,993,783</u>
EXPENSES			
Program Services:			
Child Development Programs	1,461,628		1,461,628
Preschool Subcontract, XYZ School District	100,000		100,000
Child Care Food Program	3,810,682		3,810,682
Head Start Program	<u>2,775,000</u>		<u>2,775,000</u>
Total:	8,147,310		8,147,310
Supporting Services	<u>750,000</u>		<u>750,000</u>
TOTAL EXPENSES	<u>8,897,310</u>		<u>8,897,310</u>
EXCESS OF TOTAL SUPPORT, REVENUE AND GAINS OVER OTHER EXPENSES	72,578	23,895	96,473
Other Changes in Net Assets - Building and Equipment Depreciation	<u>(1,910)</u>		<u>(1,910)</u>
INCREASE IN NET ASSETS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING	70,668	23,895	94,563
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (NOTE 2C)	<u>22,889</u>		<u>22,889</u>
INCREASE IN NET ASSETS	93,557	23,895	117,452
NET ASSETS AT BEGINNING OF YEAR	941,620	15,228	956,848
Prior Period Adjustments (Note 10)	<u>31,156</u>	<u>(290,166)</u>	<u>(259,010)</u>
NET ASSETS, RESTATED	<u>972,776</u>	<u>(274,938)</u>	<u>697,838</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,066,333</u>	<u>\$ (251,043)</u>	<u>\$ 815,290</u>

The accompanying notes are an integral part of these financial statements.

XYZ Child Development, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 200X

	Program Services					Support Services			Total Expenses
	Child Development Programs	Child Care Food Program	Head Start Program	Pre-School Sub-Contract	Total Program Services	Management and General	Fund Raising	Total Support Services	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accounting and Audit	9,000	17,576	24,500	3,000	54,076	19,000		19,000	73,076
Books, Dues, and Subscriptions	2,543	2,439	25,000		29,982				29,982
Child Care Providers	152,000	2,833,659			2,985,659				2,985,659
Consultants and Professional Fees	41,000	39,000			80,000				80,000
Contracts for Personal Services	223,007	190,237	100,000		513,244	28,500		28,500	541,744
Contracts, Rents and Leases	107,563	37,500	75,000	25,800	245,863	73,360	120	73,750	319,613
Custodial Services	3,000	2,400	2,400	1,200	9,000				9,000
Depreciation	10,500		3,500		14,000	14,500		14,500	28,500
Equipment	58,302	3,500	15,000	500	77,302				77,302
Food and Food Supplies	30,081	15,039	7,500		52,620	8,000	500	8,500	61,120
Instructional Materials and Supplies	24,594	1,644	33,750	425	60,413	26,290		26,290	86,703
Insurance	8,287	13,177	10,000	4,500	35,964	4,890	110	5,000	40,964
Legal	8,419	9,050	5,500	2,800	25,769	18,500		18,500	44,269
Miscellaneous	75	2,683	5,000		7,758	500		500	8,258
Office Expenses	2,600	980	3,800	200	7,580	2,280	170	2,450	10,030
Payroll Taxes and Fringe Benefits	86,974	49,111	432,450	13,000	581,535	273,710	570	274,280	855,815
Postage	1,790	1,825	3,100	150	6,865	1,880	120	2,000	8,865
Printing and Publications	8,250	2,800	5,125		16,175	5,560	650	6,210	22,385
Salaries and Wages	538,291	270,892	1,772,500	40,700	2,622,383	835,776	2,238	838,014	3,460,397
Start-Up Expenses	5,200				5,200				5,200
Site Improvements	19,975		7,500		27,475				27,475
Taxes and Licenses	475	790	1,725	225	3,215	510	40	550	3,765
Telephone	2,650	3,900	3,300	240	10,090	1,975	125	2,100	12,190
Travel, Meetings and Conferences	10,153	11,976	11,400		33,529	11,550	450	12,000	45,529
Uncollectible Promises to Give					0		1,900	1,900	1,900
Utilities	6,505	20,204	19,300	260	46,269	2,860	40	2,900	49,169
Vehicle Costs		4,800	3,600		8,400				8,400
Total Expenses Before Indirect Costs:	1,361,234	3,535,182	2,570,950	93,000	7,560,366	1,329,911	7,033	1,336,944	8,897,310
Indirect Costs	100,394	275,500	204,050	7,000	586,944	586,944		(586,944)	
TOTAL	<u>\$ 1,461,628</u>	<u>\$ 3,810,682</u>	<u>\$ 2,775,000</u>	<u>\$ 100,000</u>	<u>\$ 8,147,310</u>	<u>\$ 742,967</u>	<u>\$ 7,033</u>	<u>\$ 750,000</u>	<u>\$ 8,897,310</u>

The accompanying notes are an integral part of these financial statements

XYZ Child Development
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 200X

Cash Flows From Operating Activities:

Cash Received From:

State Apportionments - One-Time Only Grants	\$ 26,545
State Apportionments	790,979
Federal Funds	6,080,610
County of XYZ - Maintenance of Effort	27,000
Non-Government Sponsored Programs	408,167
Contributions	86,966
Donations and Promises	159,878
Parent Fees	240,481
Net Realized Gains	2,889
Interest and Dividends	8,446
Others	12,661
	<u>7,844,622</u>

Cash Disbursed To:

Center and Child Care and Development Block Grant Programs	673,217
Latchkey Program	350,048
Alternative Payment Block Grant Expansion Program	172,384
Before and After School Expansion Program	5,800
Preschool Sub-Contract, XYZ School District	77,000
Child Care Food Program	2,840,391
Head Start Program	2,483,400
Non-Government Sponsored Programs	697,831
One-Time Only Grants	2,362
	<u>7,302,433</u>

Net Cash Provided by Operating Activities \$ 542,189

Cash Flows From Investing Activities

Purchase of Fixed Assets	(145,354)
Proceeds from Sale of Fixed Assets	4,150
Purchase of Investments	58,900
Proceeds from Sale of Investments	(125,600)
Net Cash Used by Investing Activities	<u>\$ (207,904)</u>

Cash Flows From Financing Activities

Capital Lease Payments	(200,000)
Net Cash Flows From Financing Activities	<u>\$ (200,000)</u>

Net Increase in Cash and Cash Equivalents

134,285

Cash and Cash Equivalents at Beginning of Year

848,440

Cash and Cash Equivalents at End of Year

\$ 982,725

Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:

Change in Net Assets Before Cumulative Effect of Change in Accounting Principle

\$ 94,563

Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operations:

Cumulative Effect of Change in Accounting Principle	(22,889)
Depreciation	28,500
Net Realized and Unrealized Gains on Investments	(2,825)
Decrease/(Increase) in:	
- Accounts Receivable	219,853
- Promises and Contributions	(235,333)
- Investments	130,000
- Prepaid Expenses	(250)
Increase in:	
- Accounts Payable	254,746
- Deferred Income	25,000
- State Child Development Reserves	<u>53,610</u>

Total Adjustments

447,626

Net Cash Provided by Operating Activities

\$ 982,725

Supplemental Data for Noncash Investing and Financing Activities:

Donations of U.S.D.A. Food Commodities	\$ <u>5,000</u>
Donations of Food	\$ <u>2,500</u>
In-Kind Services	\$ <u>2,500</u>

The accompanying notes are an integral part of these financial statements

XYZ Child Development, Inc.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 200X

NOTE 1: GENERAL INFORMATION

XYZ Child Development, Inc. (the Agency) was incorporated as a nonprofit corporation in 1967 to provide educational programs for the care of children outside their homes. It was granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) and by the California Franchise Tax Board under Section 23701 (d). The Agency is both publicly and privately funded and administers federal, state, county, and social service contracts and grants. The Agency contracts with the Department of Health and Human Services to operate a County Head Start program in Small Town and Any Town; and contracts with the California Department of Education (CDE) to operate child care centers and programs in XXX County and XXX School District, and to administer center and day care home child care food programs in XXX County, YYY County and ZZZ County. The Agency also receives funds from private donations, promises and unsubsidized child care fees.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Agency have been prepared on the accrual method of accounting. The assets, liabilities, and net assets are classified in accordance with specified restrictions or objectives.

CHANGE IN ACCOUNTING PRINCIPLES - Change For New Pronouncements: *(If not the first year, the Independent Auditor's Report would not include this reference).*

A. Financial Statement Presentation

In 200X-200X, the Agency elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Agency is required to present a Statement of Cash Flows. In addition, the Agency has presented a Statement of Functional Expenses, which provides useful information about expenses by function (program and service) in an effort to associate its expenses with its service efforts and accomplishments. The Agency has reclassified its financial statements to present the three classes of net assets required.

B. Contributions/Government Grants

The Agency also elected to adopt SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in 200X-200X. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction. As permitted by SFAS No. 116, the Agency has retroactively applied the provisions of this new Statement by restating net assets as of June 30, 200X. The effect of this new statement on the Agency's net assets and change in net assets for 200X, was an increase of \$403,000, from what would have

XYZ Child Development, Inc.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 200X

been reported under prior accounting principles. In addition, all CDE contracts are considered revenue, except for one-time only grants. One-time only grants are considered as support. The effect is \$23,957 in revenues not earned on these one-time-only grants instead of deferred income.

C. Investments

In prior years, the Agency recorded all investments at cost. Effective July 1, 200X, the Agency adopted SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. Under SFAS, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. As permitted by SFAS No. 124, the Organization applied the provisions of this new Statement by reflecting the cumulative effect of the change, amounting to \$22,889 in the Statement of Activities. The adjustment represents unrealized gains on investments that had not previously been recognized in the financial statements.

D. Donated Services

Donated services are recognized in the financial statements as revenue and expense in equal amounts at their estimated fair values. Grantee contributions (in-kind) totaling \$2,500 include space donation, professional and volunteer time charged at a rate pursuant to related contract provisions. There were no amounts receivable in future years.

E. Donated Food

The Agency received food donated with an estimated fair value during the year from the following sources:

U.S.D.A., CACFP Donated Food Commodities	\$ 5,000
Supermarket	<u>2,500</u>
Total	<u>\$ 7,500</u>

F. Audit Cost Reimbursement

The Agency received a reimbursement of \$3,000 from the Child Nutrition and Food Distribution Division's Office of External Audits for the Child and Adult Care Food Program's (CACFP) portion of the total audit costs for the year ending June 30, 200X. Although, the above amounts for Donated Services, Donated Food and Audit Cost Reimbursement are not considered material for Generally Accepted Accounting Principles (GAAP) disclosure, it is required by the CDE.

G. Unrestricted Net Assets - Portion of net assets over which the governing board has discretionary control for general operations of the Agency. The Agency accounts for the Child Development Program's (CDP) contracts, Child Nutrition Program's agreements, Headstart Program, and Non-Government Sponsored Programs as unrestricted. The only limits on unrestricted net assets are limits resulting from contractual agreements.

XYZ Child Development, Inc.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 200X

H. Temporarily Restricted Net Assets - Portion of net assets resulting from contributions, pledges and other inflows of assets whose use by the Agency is limited by donor-imposed restrictions that expire by passage of time. The Agency accounts for the one-time only CDP's grants as temporarily restricted, as there are purpose restrictions, which limit their use. When the purpose restrictions are accomplished, the temporarily restricted net assets are reclassified to unrestricted net assets.

I. Cash and Cash Equivalents

The Agency considers highly liquid investments purchased with a maturity of three months or less, other than such investments held in the long-term portfolio, to be cash equivalents.

J. Concentration of Credit Risk for Cash Held in Banks

The Agency maintains cash balances in excess of the Federal Deposit Insurance Corporation (FDIC) guaranteed limit up to \$100,000 in each bank. XYZ's uninsured cash balances totaled \$ 498,639.

K. Land, Building, Furniture and Equipment

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost when no historical records exist. Donations of property and equipment are recorded as support at their estimated fair value on the date received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

L. Assets Purchased With Government Funds

Assets purchased with governmental grant or contract funds may not be depreciated. They remain the property of the government for the life of the asset. The Agency holds assets in trust for the government and therefore, the assets have been recorded on the statement of financial position as both an asset and a liability .

XYZ Child Development, Inc.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 200X

NOTE 3: LAND, BUILDING, FURNITURE AND EQUIPMENT

Building and equipment not purchased with government funding are depreciated by the straight-line method over their estimated useful lives ranging from five to thirty years.

	<u>Land and Building</u>	<u>Furniture & Equipment</u>	<u>Total</u>
Balance, July 1, 200X	\$ 900,000	\$ 382,302	\$ 1,282,302
<u>Additions:</u>			
Expenditures from:			
Child Development Programs		58,302	58,302
Preschool Sub-Contract			
Child Care Food Program			
Head Start		15,000	15,000
Non-Government-Sponsored	<u>50,000</u>	<u>23,500</u>	
<u>73,500</u>			
Total (footnote sources)	<u>50,000</u>	<u>96,802</u>	<u>146,802</u>
<u>Deductions:</u>			
(Disposed at recorded value)			
Child Development Programs		1,650	1,650
Preschool Sub-Contract			
Child Care Food Program			
Head Start			
Non-Government-Sponsored	<u>0</u>	<u>2,500</u>	<u>2,500</u>
Total (footnote sources)	<u>0</u>	<u>4,150</u>	<u>4,150</u>
Balance, June 30, 200X	950,000	474,954	1,424,954
Less Accumulated Depreciation	<u>34,200</u>	<u>100,754</u>	<u>134,954</u>
Net Fixed Assets, June 30, 200X	<u>\$ 915,800</u>	<u>\$ 374,200</u>	<u>\$ 1,290,000</u>

XYZ Child Development, Inc.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 200X

NOTE 3: LAND, BUILDING, FURNITURE AND EQUIPMENT (Continued)

SUMMARY OF REVERSIONARY INTEREST

	<u>Government Owned</u>	<u>XYZ Owned</u>	<u>Total</u>
Land and Building	\$ 90,000	\$ 860,000	\$ 950,000
Furniture and Equipment	<u>185,000</u>	<u>289,954</u>	<u>474,954</u>
	275,000	1,149,954	1,424,954
Less: Accumulated Depreciation	<u>0</u>	<u>134,954</u>	<u>134,954</u>
Net Fixed Assets, June 30, 200X	<u>\$ 275,000</u>	<u>\$ 1,015,000</u>	<u>\$ 1,290,000</u>

In order to fulfill its accountability of government-owned assets, CDE requires the above summary disclosure of its reversionary interest in the fixed assets acquired by the agency with CDE funds.

NOTE 4: PROMISES TO GIVE AND CONTRIBUTIONS RECEIVABLE

At June 30, 200X, promises and contributions receivable are due to be collected as follows:

Gross Unconditional Promises to Give	\$ 426,550
(Less): Allowances for Uncollectible Promises to Give	(81,600)
Unamortized Discount	<u>(41,950)</u>
Net Uncollectible Promises to Give	<u>\$ 303,000</u>
Receivable in Less than One Year	\$ 185,333
Receivable in One to Five Years	<u>117,667</u>
	<u>\$ 303,000</u>

In accordance with SFAS Nos. 116, the full amount of \$303,000 is recognized as support as the Agency was notified in the current year that the entire amount would be receivable.

The 6.25% discount rate is based on the three-year Treasury Note rate listed in the Wall Street Journal as of June 30, 200X.

XYZ Child Development, Inc.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 200X

NOTE 5: INVESTMENTS

Investments are presented in the financial statements at their readily determinable fair values and are stated at fair market values in the Statement of Financial Position. Investments of property are recorded at the fair value at the date of donation. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investments at June 30, 200X, consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain</u>
CURRENT ASSETS:			
U.S. Government Obligations	<u>\$ 600,130</u>	<u>\$ 600,130</u>	<u>\$ -</u>
LONG-TERM ASSETS:			
Guaranteed Investment Certificate	\$ 5,826	\$ 5,826	\$ -
Common Stocks	100,200	88,805	11,395
Mutual Funds	49,907	43,614	6,293
Bonds	13,701	12,000	1,701
Real Estate Held for Resale	<u>165,000</u>	<u>160,000</u>	<u>5,000</u>
	<u>\$ 284,634</u>	<u>\$ 260,245</u>	<u>\$ 24,389</u>

The unrealized gain, above of \$24,389, includes the cumulative effect of \$22,889 in accordance with SFAS 124, as referenced to in Note 2C.

The Agency holds significant investments in the form of fixed-income, equity securities and mutual funds. Credit risk is the failure of another party to perform in accordance with the contract terms. The Agency is exposed to credit risk for the amount of the investments. The Agency has never sustained a loss on any investment due to nonperformance and does not anticipate any nonperformance by the issuers of the securities.

Investment income as listed in the statement of activities is net of management fees of \$ 1,564 for 200X. Realized and unrealized investment gains and losses as well as investment income are allocated by the market value unit method to each fund based on its percentage ownership of the pooled investments. The following schedule summarizes the net investment return and its classification in the statement of activities for the year ended June 30, 200X:

Realized Gain on Investments	\$ 2,889
Unrealized Gain on Investments	<u>1,500</u>
Total	4,389
Less: Investment Expenses	<u>(1,564)</u>
Net Investment Income	<u>\$ 2,825</u>

XYZ Child Development, Inc.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 200X

NOTE 6: ACCUMULATED VACATION AND SICK LEAVE

Vacation

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Agency. The liability is recognized in the program to which the liability relates. The value of accumulated vacation at June 30, 200X is:

Non-Government Sponsored Programs	\$ 13,000
Child Care Food Program	7,276
Center and Block Grant Child Development Programs	10,210
Head Start	<u>38,000</u>
Total	\$ <u>68,486</u>

Sick Leave

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. CDE requires disclosure of the Agency's sick leave policy and financial reporting disclosure.

Accumulated employee sick leave benefits are not recognized as liabilities of the Agency since payment of such benefits is not probable or estimable. Therefore, sick leave benefits are recorded as expenditures in the period sick leave is taken.

NOTE 7: DUE TO CHILD CARE PROVIDERS

The agency manages a Day Care Home program with providers and owes them for their portion of the reimbursement from the CACFP, administered by the CDE, less the Agency's administrative expenses, totaling a net amount of \$349,080.

NOTE 8: FOOD SUBSIDY ADVANCE

The CACFP, administered by the CDE, advanced \$41,366 for administrative operating expenses. All food subsidy advances outstanding must be repaid to CDE upon program termination.

NOTE 9: DEFERRED REVENUE

Deferred revenue at June 30, 200X consisted of \$50,000 for other state grants.

XYZ Child Development, Inc.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 200X

NOTE 10: PRIOR PERIOD ADJUSTMENTS

The beginning net assets were restated to capitalize the book value of assets purchased in prior years and to correct classification of cash accounts recorded as temporarily restricted. The cash accounts were designated for special purposes by the Board of Directors and should have been recorded as unrestricted net assets.

	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Net Assets, as Reported at June 30, 200X	\$ 15,228	\$ 941,620	\$ 956,848
Adjustments:			
Record Cost of Equipment Purchased, but not Capitalized		15,990	15,990
Record Cost of Government-Owned Fixed Assets	(275,000)		(275,000)
Cash Incorrectly Recorded as Temporarily Restricted	(14,254)	14,254	0
Transfers, Net Fixed Assets	<u>(912)</u>	<u>912</u>	<u>0</u>
Total Prior Period Adjustments	<u>(290,166)</u>	<u>31,156</u>	<u>(259,010)</u>
Net Assets, Restated Balance at June 30, 200X	<u>\$ (274,938)</u>	<u>\$ 972,776</u>	<u>\$ 697,838</u>

NOTE 11: LEASE COMMITMENTS

A. Operating Leases - The total rental expense incurred by the Agency for facilities during the year was \$194,000, allocated as follows:

<u>Direct Cost Allocation</u>	
Non-Government Sponsored Programs	\$ 50,000
Center and Block Grant Child Development Programs	35,000
Latchkey Program	12,000
Head Start	<u>75,000</u>
	<u>\$172,000</u>
Allocation of Indirect Rental Cost:	
Non-Government Sponsored Programs	\$ 10,000
Center and Block Grant Child Development Programs	4,000
Latchkey Program	3,000
Head Start	<u>5,000</u>
	<u>\$ 22,000</u>
Total	<u>\$194,000</u>

XYZ Child Development, Inc.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 200X

NOTE 11: LEASE COMMITMENTS (Continued)

The Agency also had miscellaneous equipment rental of \$4,800 for the year, which was expended to the Center and Block Grant Child Development programs.

Minimum future rental payments under noncancelable operating leases for each of the next five years in aggregate are:

<u>Year Ended June 30</u>	
2000	\$ 125,000
2001	135,000
2002	145,000
2003	155,000
2004 and Thereafter	<u>1,015,000</u>
TOTAL	<u>\$1,575,000</u>

B. Capital Leases - The Agency leases 5 relocatable buildings from Calvin & Hobbes Leasing under a non-cancelable capital lease agreement. These leases were effective June 1998. The term of these leases is 6 years (72 months) with imputed interest rate of 12.5%. Buildings have been capitalized at \$850,000. Accumulated amortization of the leased buildings is \$190,000.

<u>Year Ended June 30</u>	
2000	\$ 200,000
2001	200,000
2002	200,000
2003	<u>200,000</u>
TOTAL	800,000
Less - Portion which represents Interest	<u>141,000</u>
	659,000
Current Portion	<u>50,000</u>
Noncurrent Portion	<u>\$ 609,000</u>

All of these leases expire in June 2003.

XYZ Child Development, Inc.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 200X

NOTE 12: CONTRIBUTORY RETIREMENT PLAN

The Agency maintains a contributory retirement plan available for its employees which allows participants to make tax deferred investment contributions. The plan does not qualify under provisions of Section 403(b) of the Internal Revenue Code of 1954, as amended. The Agency has filed the required federal and state tax forms for this plan. The Agency makes no contributions to the plan.

Total Current Year Employee	
Deferred Compensation	\$ 22,500
Total Prior Contributions	<u>170,000</u>
 Total Current Value in Plan	 <u>\$192,500</u>

NOTE 13: STATE CHILD DEVELOPMENT RESERVES

The funding agreements with the California Department of Education (CDE) allow the Agency to record “reserves” for the amounts not earned during the current year, up to certain amounts. These reserves are presented as a liability for financial statement purposes and are not included in the current year revenue. As of June 30, 200X, the reserves’ total balance was \$223,231.

NOTE 14: CONTINGENCIES

The Agency has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. It appears that such an audit will generate a disallowance of the \$250,000 loan that the Agency made to the non-government sponsored operating program under the terms of the CDP. However, the Agency believes that this reimbursement to the CDP will be material to the total of CDP funds. This condition is described in Finding 200X-3.

During the year ended June 30, 200X, certain employee benefits that were subject to social security taxes were excluded from the earnings calculation for social security taxes. In the event of an audit by the Internal Revenue Service, the Agency might be required to pay both the employee and employer portions of social security taxes on these benefits. The dollar amount has not been determined.

NOTE 15: AUDIT FEES

Audit fees of \$7,000 for the current period have been accrued as allowed by grantor agencies, even though a portion of these services will be performed in the subsequent period. This is not in accordance with generally accepted accounting principles but is not considered material in relationship to the Agency taken as a whole.

The California State Legislature mandates CDE responsibility for ensuring that audit fees are disclosed annually in the Agency’s audit report.

XYZ Child Development, Inc.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 200X

NOTE 16: RELATED PARTY TRANSACTIONS

- A. The Executive Director is currently leasing miscellaneous equipment and a day care facility to the Agency for \$400 and \$2,750, per month, respectively. These rental payments for the year totaled \$37,800. The Agency has on file independent "fair market rental" appraisals covering both leases showing \$ 450 and \$2,850 a month, respectively.
- B. The Executive Director's spouse, who owns a supermarket, donated \$2,500 of food for the preparation of meals served in the day care.
- C. The Agency paid a consulting fee to a private company owned by the Executive Director. The total amount paid during the year was \$12,500 for the preparation of the breakfast and lunch menus. An estimate of the fair value of these services has not been determined.

NOTE 17: GOING CONCERN (Illustrative Example Only)

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which assumes continuation of the Agency as a going concern. However, the Agency has sustained substantial operating losses in the 200X and 200X fiscal years due to rapid expansion, which resulted in the Agency using substantial amounts of working capital in its operations. Furthermore, at June 30, 200X current liabilities exceed current assets by \$_____, and total liabilities exceed total assets by \$_____.

It is management's point of view that realization of a major portion of the assets in the accompanying statement of financial position is dependent upon continued operations of its Agency, which in turn is dependent upon the Agency's ability to meet its financial requirements and the success of its future operations. Management believes that actions presently being taken to revise the Agency's operating and financial requirements provide the opportunity for the Agency to continue as a going concern. Management's plans include implementing new budgetary controls to prevent recurring operating deficits, improving the working capital position of the Agency, and canceling future expansion plans.

Management does not believe that the repayment of the \$250,000 loan, as referenced in Note 18 , and the corresponding contingency referenced in Note 14, will effect the Agency's ability to continue as a going-concern. The financial statements do not include any adjustments that might be necessary should the Agency be unable to continue as a going concern.

NOTE 18: DUE TO OR DUE FROM OTHER PROGRAMS

As of June 30, 200X, the total of the "Due to/Due from" was \$322,544. CDE advances money for program operations throughout the year. The Child Development Program's (CDP) Funding Terms and Conditions restrict the use of state contract cash to grant related expenditures only. Because the Agency's non-government sponsored operating program lacked interim financing for facility acquisitions, it was necessary during 200X-X9 to use state contract funds to satisfy cash flow needs. At June 30, 200X, the amount loaned to the non-government sponsored programs from state funded programs totaled \$250,000. These transfers are in violation of the contract Funding Terms and Conditions.

XYZ Child Development, Inc.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 200X

NOTE 19: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 200X are available for the following purposes:

Government-Owned Fixed Assets	\$(275,000)
Block Grant Local Planning Council	22,812
Instructional Materials and Supplies	<u>1,145</u>
	<u>\$(251,043)</u>

NOTE 20: UNRESTRICTED NET ASSETS

Unrestricted net assets at June 30, 200X are designated for the following purposes:

Undesignated	\$ 200,000
Board Designated - non-government programs	241,333
Board Designated - land and buildings	425,000
Board Designated - long-term investments	<u>200,000</u>
	<u>\$ 1,066,333</u>

NOTE 21: INTEREST EARNED IN SUBSEQUENT PERIODS FOR UNEXPENDED APPORTIONMENTS

The CDP contract number GCTRXXXX will continue to accrue interest on the unexpended 200X - 200X apportionments until the CDE invoices the department. An accurate estimate of this interest cannot be determined at this time.

XYZ Child Development, Inc.
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 200X

<u>ASSETS</u>	<u>Unrestricted Programs</u>					<u>Temporarily Restricted Programs</u>			<u>Total</u>
	<u>Child Development Programs - Contracts -</u>	<u>Preschool Sub-Contract XYZ School District</u>	<u>Child Care Food Program</u>	<u>Head Start Program</u>	<u>Non- Government Sponsored Programs</u>	<u>Local Planning Council Block Grant</u>	<u>Instructional Materials and Supplies Grant</u>	<u>Government- Owned Fixed Assets</u>	
Cash	\$ 98,575	\$ 23,000	\$ 593,639	\$ 205,000	\$ 38,366	\$ 23,000	\$ 1,145		\$ 982,725
Accounts Receivable									
Parent Fees	86,600								86,600
State of California	15,521								15,521
Employees	334								334
Food Subsidy Receivable	8,034								8,034
Promises and Contributions, net (Note 4)	24,790			19,600	188,093	2,850			235,333
Due From Child Care Providers (Note 7)			1,658,044						1,658,044
Total Accounts Receivable	135,279		1,658,044	19,600	188,093	2,850			2,003,866
Investments, at fair value (Note 5)	25,332		325,000	145,000	339,432				834,764
Prepaid Insurance Expense	1,132								1,132
Due from Other Funds (Note 18)	322,544								322,544
Total Current Assets	582,862	23,000	2,576,683	369,600	565,891	25,850	1,145		4,145,031
Long-Term Promises and Contributions (Note 4)					167,667				167,667
Land, Building and Equipment, net (Note 3)	100,000		140,000	35,000	1,015,000				1,290,000
TOTAL ASSETS	<u>\$ 682,862</u>	<u>\$ 23,000</u>	<u>\$ 2,716,683</u>	<u>\$ 404,600</u>	<u>\$ 1,748,558</u>	<u>\$ 25,850</u>	<u>\$ 1,145</u>	<u>\$ 0</u>	<u>\$ 5,602,698</u>
<u>LIABILITIES AND NET ASSETS</u>									
Accounts Payable	170,344	20,000	772,045	253,600	39,169	2,500			1,257,658
State of California	41,448		1,811,659						1,853,107
Employee Vacation (Note 6)	10,210		7,276	38,000	13,000				68,486
Food Subsidy Advance (Note 8)	4,011		37,355						41,366
Accrued Wages and Payroll Taxes	33,462	3,000				538			37,000
Refundable Deposits	16								16
Due to Other Funds (Note 18)			72,544		250,000				322,544
Deferred Income (Note 9)	50,000								50,000
State Child Development Reserves (Note 13)	223,231								223,231
Current Portion Under Capital Leases (Note 11B)	25,000				25,000				50,000
Total Current Liabilities	557,722	23,000	2,700,879	291,600	327,169	3,038			3,903,408
Government Owned Fixed Assets (Note 3)								275,000	275,000
Long-Term Capital Lease Payable (Note 11B)	135,000				474,000				609,000
Total Liabilities	692,722	23,000	2,840,879	291,600	801,169	3,038		275,000	4,787,408
<u>NET ASSETS</u>									
Unrestricted (Note 20)	(9,860)		15,804	113,000	947,389				1,066,333
Temporarily Restricted (Note 19)						22,812	1,145	(275,000)	(251,043)
Total Net Assets	(9,860)	0	15,804	113,000	947,389	22,812	1,145	(275,000)	815,290
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 682,862</u>	<u>\$ 23,000</u>	<u>\$ 2,716,683</u>	<u>\$ 404,600</u>	<u>\$ 1,748,558</u>	<u>\$ 25,850</u>	<u>\$ 1,145</u>	<u>\$ 0</u>	<u>\$ 5,602,698</u>

YZ Child Development, Inc.
COMBINING STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended June 30, 200X

	Unrestricted Programs					Temporarily Restricted Programs				
	Child Development Programs	Preschool Sub-Contract XYZ School District	Child Care Food Program	Head Start Program	Non-Government Sponsored Programs	Local Planning Council Block Grant	Instructional Materials and Supplies Grant	Revenues Not Earned per SFAS – (1)	Government -Owned Fixed Assets	Total
	<u>- Contracts -</u>									
NET ASSETS, Beginning of the Year	\$ (99,583)	\$ 0	\$ 4,900	\$ 91,340	\$ 944,963	\$ 37,128	\$ 2,057	\$ (23,957)	\$ 0	\$ 956,848
<u>Adjustments to the Prior Year (Note 10):</u>										
Assets purchased in prior year not capitalized					15,990					15,990
Recognition of Government-Owned Fixed Assets (Note 3)									(275,000)	(275,000)
Transfer of Net Fixed Assets					912		(912)			
Cash incorrectly recorded as Temporarily					<u>14,254</u>	<u>(14,254)</u>				
NET ASSETS, restated (Note 10)	(99,583)		4,900	91,340	976,119	22,874	1,145	(23,957)	(275,000)	697,838
Change in Net Assets Before Cumulative Effect of Change in Accounting Principle	88,530		10,904	10,000	(38,766)	(62)		23,957		94,563
Cumulative Effect of Change in Accounting Principle (Note 2)	<u>1,193</u>			<u>11,660</u>	<u>10,036</u>					<u>22,889</u>
Change in Net Assets	<u>89,723</u>		<u>10,904</u>	<u>21,660</u>	<u>(28,730)</u>	<u>(62)</u>		<u>23,957</u>		<u>117,452</u>
NET ASSETS, End of the Year	<u>\$ (9,860)</u>	<u>\$ 0</u>	<u>\$ 15,804</u>	<u>\$ 113,000</u>	<u>\$ 947,389</u>	<u>\$ 22,812</u>	<u>\$ 1,145</u>	<u>\$ 0</u>	<u>\$ (275,000)</u>	<u>\$ 815,290</u>

Note (1) - Apportionments from non-service, One-Time Only Grants are classified as support, not revenue, and the income is not earned per SFAS Nos. 116 and 117.

XYZ Child Development, Inc.
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 200X

	Unrestricted Programs							Temporarily Restricted Programs				
	Center and Block Grant Child Development Programs	Latchkey Program	AP Block Grant Expansion- Stage III CalWORKS	Other State (Non-CDE) Grants	Preschool Sub- Contract XYZ School District	Child Care Food Program	Head Start Program	Non- Government Sponsored Programs	Block Grant Local Planning Council	Instructional Materials And Supplies	Revenues Not Earned per SFAS - (1)	Total
<u>SUPPORT, REVENUES & GAINS</u>												
Support	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
State and Federal Apportionments									2,188	400	23,957	26,545
Restricted Program Income:												
- United Way	41,966						10,000	35,000				86,966
- Promises, Contributions and Donations	5,000						125,000	253,000				383,000
- Private Foundation Rent Subsidy	60,000											60,000
- Maintenance of Effort	27,000											27,000
- CACFP Audit Cost Reimbursement	3,000											3,000
- Transfers from CDD Reserves			5,000									5,000
- In-Kind Services and Matching (Note 2)	2,500								2,500			5,000
Total Support	<u>139,466</u>		<u>5,000</u>				<u>135,000</u>	<u>288,000</u>	<u>4,688</u>	<u>400</u>	<u>23,957</u>	<u>596,511</u>
Revenue												
State Apportionments	382,316	150,000		900	100,000	178,731						811,947
Federal Funds	378,178		150,000	6,100		2,531,535	2,650,000					5,715,833
Non-Government Sponsored Programs								408,167				408,167
Parent Fees	54,581	250,000	15,000	7,500								327,081
Interest Investment Income	3,242		350	800				2,053	250			6,695
Dividend Investment Income	750							1,001				1,751
Fundraising and Other Income						161		10,000				10,161
Total Revenue	<u>819,067</u>	<u>400,000</u>	<u>165,350</u>	<u>15,300</u>	<u>100,000</u>	<u>2,710,447</u>	<u>2,650,000</u>	<u>421,221</u>	<u>250</u>			<u>7,281,635</u>
Gains												
Net Investment Income	575							2,250				2,825
Total Support, Revenue and Gains	<u>959,108</u>	<u>400,000</u>	<u>170,350</u>	<u>15,300</u>	<u>100,000</u>	<u>2,710,447</u>	<u>2,785,000</u>	<u>711,471</u>	<u>4,938</u>	<u>400</u>	<u>23,957</u>	<u>7,880,971</u>
<u>EXPENSES</u>												
Certificated Salaries:												
Teachers	84,324	130,000	1,250	1,500	21,000		1,502,500	553,014	1,500			2,295,088
Administrative	43,000	22,000				309,556						374,556
Supervisors	44,086	10,000		500	15,000	64,080	100,000	130,000	750			364,416
Other			1,000									1,000
Classified Salaries:												
Instructional Aides	54,419	43,000		500	5,000		100,000	130,000	750			333,669
Clerical and Others		25,000	2,250	250	2,500		20,000		350			50,350
Office Personnel	48,988	10,000	500			76,973	50,000	25,000				211,461
Other	12,374											12,374
Employee Benefits	38,942	47,100	475	307	13,000	80,965	432,450	274,280	150			887,669
Books	943	1,000		50	500	2,439	25,000		50			29,982
Instructional Supplies	28,558	3,000	5,200	250	1,000	23,078	50,000	32,500	150	370		144,106
Pupil Transportation Supplies	106						5,000					5,106
Food Services:												
Food	20,688			4,620				8,000				33,308
Other Food Services	3,183		400	600				500				4,683
Provider Payments			149,825			1,589,325						1,739,150
Contracts for Personnel Services	266,467					188,491		30,400				485,358
Travel and Conferences	4,743	2,375	100			71,937	15,000	12,000	140			91,295
Contracts, Rents and Leases	77,563	30,000			24,475	50,484	166,500	104,150				453,172
Insurance	5,787	2,500			4,500	13,177	10,000	5,000				40,964
Utilities	6,105	2,500	150	300	1,700	24,104	25,000	5,000	100			64,959
Legal, Audit and Accounting	12,919	5,000			3,000	26,626	30,000	4,000				81,545
Postage			275	190	225	34,223	3,500	1,900	75			41,763
Printing	4,790	2,200	1,900	400	1,100	9,169	7,500	6,200	95			33,354
Other Expenses	150					32,851	2,500	500				36,001
Sites and Improvements	9,100	8,400	1,350	1,125			7,500					27,475
Equipment	31,049	3,000	22,805	948		24,892	15,000		500			98,194
Depreciation/Use Allowance	9,250	1,250					3,500	14,500				28,500
Indirect Cost	62,250	26,250	10,514	960	7,000	75,500	204,050	(386,944)	390	30		0
Total Expenses	<u>870,734</u>	<u>375,000</u>	<u>197,994</u>	<u>12,500</u>	<u>100,000</u>	<u>2,697,870</u>	<u>2,775,000</u>	<u>750,000</u>	<u>5,000</u>	<u>400</u>		<u>7,784,498</u>
Excess (Deficiency) of Support, Revenue and Gains over Expenses	<u>88,374</u>	<u>25,000</u>	<u>(27,644)</u>	<u>2,800</u>		<u>12,577</u>	<u>10,000</u>	<u>(38,529)</u>	<u>(62)</u>	<u>0</u>	<u>23,957</u>	<u>96,473</u>
Other Changes in Net Assets:												
Depreciation on Fixed Assets Acquisitions						(1,673)		(237)				(1,910)
Change in Net Assets Before Cumulative Effect of Change in Accounting Principle	<u>\$ 88,374</u>	<u>\$ 25,000</u>	<u>\$ (27,644)</u>	<u>\$ 2,800</u>	<u>\$ 0</u>	<u>\$ 10,904</u>	<u>\$ 10,000</u>	<u>\$ (38,766)</u>	<u>\$ (62)</u>	<u>\$ 0</u>	<u>\$ 23,957</u>	<u>\$ 94,563</u>

Note (1) - Apportionments from non-service, One-Time Only Grants are classified as support, not revenue, and the income is not earned per SFAS Nos. 116 and 117.

XYZ Child Development, Inc.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 200X

Federal Grantor/ Pass Through Grantor/ Program Title:	CFDA Number:	Pass-Through Grantor's Number:	Program or Award Amount:	Revenue Recognized:	Disbursements/ Expenditures:	State Reserve Fund:
FEDERAL:						
Major Programs:						
U.S. Department of Agriculture						
Pass-through California Department of Education						
Child Nutrition and Food Distribution Division:						
Child and Adult Care Food Program - Center	10.558	Xx-xxxx-x-A	\$ 632,862	\$ 632,862	\$ 630,714	\$ 0
Child and Adult Care Food Program - Homes	10.558	Xx-xxxx-x-F	<u>3,026,122</u>	<u>3,026,122</u>	<u>3,015,854</u>	<u>0</u>
			<u>3,658,984</u>	<u>3,658,984</u>	<u>3,646,568</u>	<u>0</u>
Child and Adult Food Program - Audit cost	10.558	xx-xxxx-x-A/F	3,000	3,000	3,000	0
Reimbursement for 1997/98						
Child Development Division:						
Child Care and Development Block Grant	93.757	FCTRxxxx	350,008	350,008	350,008	171,037
(CCDBG)						
U.S. Department of Health and Human Services						
Head Start	13.600	XxCHxxx/xx	<u>2,650,000</u>	<u>2,650,000</u>	<u>2,650,000</u>	<u>-</u>
			<u>6,661,992</u>	<u>6,661,992</u>	<u>6,649,576</u>	<u>171,037</u>
Total Major Programs:						
Other Federal Programs:						
Child Nutrition and Food Distribution Division:						
U.S.D.A. Donated Food Commodities at FMV	10.550	Axxx-xx	25,100	25,100	25,100	-
Child Development Division:						
CCDBG Expansion Alternative Payment -	93.374	F3TOxxxx	150,000	150,000	177,644	12,734
Stage III CalWORKS						
CCDBG Local Planning Council	93.374	FLPCxxxx	<u>25,000</u>	<u>2,188</u>	<u>5,000</u>	<u>-</u>
TOTAL FEDERAL			<u>\$ 6,862,092</u>	<u>\$ 6,839,280</u>	<u>\$ 6,857,320</u>	<u>\$ 183,771</u>
STATE:						
Pass-through California Department of Education:						
Child Care Food Program - Center						
State Meal Reimbursement		Xx-xxxx-x-A	46,019	46,019	46,019	-
State Meal Reimbursement		Xx-xxxx-x-F	130,457	130,457	130,457	-
Child Development Division:						
General Center		GCTRxxxx	384,720	380,024	396,972	22,049
Extended Day Care (Latchkey)		GLTKxxxx	150,000	150,000	150,000	17,411
GCC Instructional Materials and Supplies		GIMSxxxx	1,545	400	400	-
Preschool Sub-Contract, XYZ School District		GWAPxxxx	100,000	100,000	100,000	-
Other State			50,000	-	12,500	-
TOTAL STATE			<u>862,741</u>	<u>806,900</u>	<u>836,348</u>	<u>39,460</u>
TOTAL FEDERAL AND STATE			<u>\$ 7,724,833</u>	<u>\$ 7,646,180</u>	<u>\$ 7,693,668</u>	<u>\$ 223,231</u>

Note: Maintenance of Effort funds of \$27,000 were received from the County of XYZ and expended on children's' services in accordance with County and Child Development Division requirements

See accompanying Notes to the Supplementary Information

XYZ Child Development, Inc.
COMBINING SCHEDULE OF RENOVATION AND REPAIR EXPENDITURES
 For the Year Ended June 30, 200X

	Center and Block Grant Child Development Programs	Latchkey Program	AP Block Grant Expansion Stage III CalWORKS	Other State (Non-CDE) Grants	Block Grant Local Planning Council	Instructional Materials and Supplies	Total Costs
<u>Unit Cost Under \$10,000 Item:</u>							
Leasehold Improvements:							
Roof Repairs	\$ 1,125	\$	\$	\$ 1,125	\$	\$	\$ 2,250
Remodeling Cabinets		500					500
Carpet Repairs	730	730					1,460
Other Repairs			1,350				1,350
Interest on Financing Repairs of Licensable Community Facilities	245	170					415
Total:	<u>2,100</u>	<u>1,400</u>	<u>1,350</u>	<u>1,125</u>			<u>5,975</u>
<u>Unit Cost over \$10,000 with CDD Approval:</u>							
Item:							
Portable Trailers (2) for Licensable Community Facilities: Lease Payments - Principal	4,680	4,680					9,360
- Interest	<u>2,320</u>	<u>2,320</u>					<u>4,640</u>
Total:	<u>7,000</u>	<u>7,000</u>					<u>14,000</u>
<u>Unit Cost Over \$10,000 Without CDD Approval:</u>							
Item:							
Total:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Renovation and Repair Expenditures	\$ <u>9,100</u>	\$ <u>8,400</u>	\$ <u>1,350</u>	\$ <u>1,125</u>	\$ <u>-</u>	\$ <u>-</u>	\$19,975

See Accompanying Notes to the Supplementary Information

XYZ Child Development, Inc.
COMBINING SCHEDULE OF EQUIPMENT EXPENDITURES
For the Year Ended June 30, 200X

	<u>Center and Block Grant Child Development Programs</u>	<u>Latchkey Program</u>	<u>AP Block Grant Expansion Stage III CalWORKS</u>	<u>Other State (Non-CDE) Grants</u>	<u>Preschool Sub- Contract XYZ School District</u>	<u>Block Grant Local Planning Council</u>	<u>Instructional Materials and Supplies</u>	<u>Total Costs</u>
<u>Unit Cost Under \$7,500:</u>								
Item:								
Fax Machines (2)	\$ 699	\$0	\$ 699	\$0	\$0	\$	\$	\$ 1,398
Refrigerators (3)	572		400	572				1,544
Dishwashers (2)	604		604					1,208
Postage Meters (3)	130	130	130					390
12" Chairs (30)	500	125	125					750
IBM Typewriters (3 used)	150		150	150				450
Phone Upgrade	175		175			175		525
Printers (3)	499	499				325		1,323
Mail Sorter		375						375
Pentium Computers (3)	1,324	1,324	1,324					3,972
Colorado Tape Drive		321						321
Computer Workstation Screens (4)		226		226				452
Total:	<u>\$ 4,653</u>	<u>3,000</u>	<u>3,607</u>	<u>948</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>12,708</u>
<u>Unit Cost Over \$7,500 With CDD Approval</u>								
Item:								
Phone System	\$ 7,570							7,570
Copier with Stacker and Sorter			19,198	-	-	-	-	19,198
Total:	<u>7,570</u>	<u>-</u>	<u>19,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,768</u>
<u>Unit Cost Over \$7,500 Without CDD Approval:</u>								
Item:								
Chevy Lumina	18,826	-	-	-	-	-	-	18,826
Total:	<u>\$ 18,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,826</u>
Total Equipment Expenditures	<u>\$ 31,049</u>	<u>\$ 3,000</u>	<u>\$ 22,805</u>	<u>\$ 948</u>	<u>\$ -</u>	<u>500</u>	<u>\$ -</u>	<u>\$ 58,302</u>

See Accompanying Notes to the Supplementary Information

XYZ Child Development, Inc.
COMBINING SCHEDULE OF ADMINISTRATIVE COSTS
For the Year Ended June 30, 200X

	Center and Block Grant Child Development Program	Latchkey Program	AP Block Grant Expansion Stage III CalWORKS	Other State (Non-CDE Grants	Preschool Sub- Contract XYZ School District	Block Grant Local Planning Council	Instructional Materials and Supplies	Total Costs	
Prior , Multi-Year Contracts	\$	\$	\$	500	\$	250	\$	\$	750
Current Year:									
Administrative Salaries - Office	18,599	11,750	599		500			31,448	
Supervisor Salaries - Office	3,572	3,700	300	322	400			8,344	
Employee Benefits	2,604	1,950	504		500			5,558	
Payroll Taxes	2,000	1,329	110		120			3,559	
Books and Supplies	1,130	1,130	130					2,390	
Contractual Services	5,500	4,125	125		900			10,650	
Audit and Legal	750	300	150	150	250			1,500	
Travel and Conference	1,818	450				175		2,443	
Rentals	2,499	499			700	325		4,023	
Janitorial Equipment and Supplies	1,814		436					2,250	
Insurance	858	395	331		575			2,159	
Telephone and Utilities	1,010	420	362	68	640			2,500	
Other Operating Costs	650	490	189	0	415	0		1,744	
	42,804	26,538	3,736	790	5,000	500	-	79,368	
Indirect Costs @ 8 percent maximum	62,250	26,250	10,514	960	7,000	390	30		
Total Administrative Costs	\$ 105,054	\$ 52,788	\$ 14,250	\$ 1,750	\$ 12,000	\$890	\$ 30	\$186,762	

See Accompanying Notes to the Supplementary Information

XYZ Child Development, Inc.
COMBINING SCHEDULE OF EXPENDITURES BY STATE CATEGORIES
For the Year Ended June 30, 200X

	Center and Block Grant Child Development Programs	Not Reim- bursable	Latchkey Program	AP Block Grant Expansion-Stage III CalWORKS	Other State (Non-CDE) Grants	Preschool Sub- Contract XYZ School District	Block Grant Local Planning Council	Instructional Materials and Supplies	Total Reimbursable	Total Not Reim- bursable
<u>1000 CERTIFIED SALARIES</u>										
1100 Teachers' Salaries	\$ 82,124	\$ -	\$ 130,000	\$ 1,250	\$ 1,500	\$ 21,000	\$ 1,500	\$ -	\$ 237,374	\$ -
1200 Administration Salaries	43,000	-	22,000	-	500	-	-	-	65,500	-
1300 Supervisors' Salaries	44,086	-	10,000	-	-	15,000	750	-	69,836	-
1900 Other Certified Salaries	-	-	-	1,000	-	-	-	-	1,000	-
<u>2000 CLASSIFIED SALARIES</u>										
2100 Instructional Aides' Salaries	54,419	-	43,000	-	500	5,000	750	-	103,669	-
2300 Clerical and Other Office Salaries	48,988	-	25,000	2,250	250	2,500	350	-	79,338	-
2400 Maintenance/Operations Salaries	2,383	-	5,000	500	-	-	-	-	7,883	-
2500 Food Services Salaries	9,991	-	5,000	-	-	-	-	-	14,991	-
<u>3000 EMPLOYEE BENEFITS</u>										
3300 Social Security (Old Age, Survivor's Disability)	19,000	-	27,250	-	-	5,100	-	-	51,350	-
3400 Health and Welfare Benefits	10,320	-	12,350	200	157	4,100	75	-	27,202	-
3500 State Unemployment Benefits	3,115	-	5,300	275	150	2,300	75	-	11,215	-
3600 Workers Compensation Insurance	3,000	-	1,100	-	-	1,500	-	-	5,600	-
3900 Other Benefits	3,507	-	1,100	-	-	-	-	-	4,607	-
<u>4000 BOOKS, SUPPLIES AND EQUIPMENT</u>										
4200 Books Other than Textbooks	943	-	1,000	-	50	500	50	-	2,543	-
4300 Instructional Materials and Supplies	25,558	-	3,000	5,200	250	1,000	150	370	35,528	-
4600 Pupil Transportation Supplies	106	-	-	-	-	-	-	-	106	-
4710 Food	20,688	-	-	-	5,210	-	-	-	25,898	-
4790 Other Food Service Supplies	3,183	-	-	400	600	-	-	-	4,183	-
<u>5000 SERVICES/OTHER OPERATING EXPENSES</u>										
5100 Contracts for Personnel Services	272,207	-	-	152,000	-	-	-	-	424,207	-
5200 Travel, Conferences and Other	4,743	-	5,000	100	-	-	310	-	10,153	-
5400 Insurance	5,787	-	2,500	-	-	4,500	-	-	12,787	-
5500 Utilities and Housekeeping	6,105	-	2,500	150	300	1,700	100	-	10,855	-
5600 Contracts, Rents and Leases	77,563	-	30,000	-	-	25,800	-	-	133,363	-
5700 Legal, Election and Audit	12,919	-	5,000	-	-	3,000	-	-	20,919	-
5800 Other Services and Operating Expenses	150	-	-	-	-	-	-	-	150	-
<u>6000 CAPITAL OUTLAY</u>										
6200 Buildings and Improvement of Buildings	9,100	-	8,400	1,350	1,125	-	-	-	19,975	-
6400 Equipment (Program-related)	31,049	18,826	3,000	22,805	948	-	500	-	58,302	18,826
START-UP/CLOSE-DOWN EXPENSES -(1)	5,200	-	-	-	-	-	-	-	5,200	-
DEPRECIATION OR USE ALLOWANCE	9,250	-	1,250	-	-	-	-	-	10,500	-
INDIRECT COST	62,250	-	26,250	10,514	960	7,000	390	30	107,394	-
TOTAL	\$ 870,734	\$ 18,826	\$ 375,000	\$ 197,994	\$ 12,500	\$ 100,000	\$ 5,000	\$400	\$ 1,561,628	\$ 18,826

We have examined the claims filed for reimbursement and the original supporting records covering the transactions under these contracts to an extent considered necessary to assure ourselves that the amounts claimed by the agency were proper.

Note: (1) - Start-up costs are all capital outlay in nature.

See Accompanying Notes to the Supplementary Information

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM -- CHILD CARE CENTERS
SCHEDULE OF REPORTED, ADJUSTED, AND ALLOWED MEALS AND EARNED REIMBURSEMENT
FOR THE PERIOD JULY 1, 200X TO JUN 30, 200X

FIXED PERCENTAGE METHOD

	<u>MEALS</u>			<u>Food Service Rates</u>			
<u>Federal Meal Compensation</u>	<u>Reported</u>	<u>Adjusted*</u>	<u>Allowed</u>	<u>July 200X - June 200X</u>	<u>Revenue Recognized</u>	<u>Audit Adjustments*</u>	<u>Earned Reimbursement</u>
<u>Breakfast</u>							
Free	181,830	(12,113)	169,717	\$1.0725	\$195,012.68	(\$12,991.19)	\$182,021.48**
Reduced	3,482	619	4,101	0.7725	2,689.85	478.18	3,168.02**
Base	49,913	9,268	59,181	0.2000	9,982.60	1,853.60	11,836.20
Total	<u>235,225</u>	<u>(2,226)</u>	<u>232,999</u>		<u>\$207,685.13</u>	<u>(\$10,659.41)</u>	<u>\$197,025.70**</u>
<u>Lunch</u>							
Free	189,846	(12,586)	177,260	\$1.9425	\$368,775.86	(\$24,448.31)	\$344,327.55
Reduced	3,636	647	4,283	1.5425	5,608.53	998.00	6,606.53
Base	52,114	9,698	61,812	0.1800	9,380.52	1,745.64	11,126.16
Total	<u>245,596</u>	<u>(2,241)</u>	<u>243,355</u>		<u>\$383,764.91</u>	<u>(\$21,704.67)</u>	<u>\$362,060.24</u>
<u>Supplements</u>							
Free	175,354	(11,541)	163,813	\$0.5325	\$93,376.01	(\$6,145.58)	\$87,230.42**
Reduced	3,357	601	3,958	0.2675	898.00	160.77	1,058.77
Base	48,137	8,988	57,125	0.0400	1,925.48	359.52	2,285.00
Total	<u>226,848</u>	<u>(1,952)</u>	<u>224,896</u>		<u>\$96,199.49</u>	<u>(\$5,625.29)</u>	<u>\$90,574.19</u>
Cash-in-Lieu	<u>245,596</u>	<u>(2,241)</u>	<u>243,355</u>	\$0.1475	<u>\$36,225.41</u>	<u>(\$330.55)</u>	<u>\$35,894.86</u>
Total Federal Reimbursement					<u>\$723,874.94</u>	<u>(\$38,319.92)</u>	<u>\$685,555.01**</u>
State Meal Compensation	<u>378,794</u>	<u>(23,433)</u>	<u>355,361</u>	\$0.1335	<u>\$50,569.00</u>	<u>(\$3,128.31)</u>	<u>\$47,440.69</u>
Total Program Reimbursement (State and Federal) Overpaid - Refund due the State						<u>(\$41,448.23)</u>	

Footnotes:

* Adjustments are the result of: (1) eligibility category changes; (2) meal count errors; (3) meals served in excess of site licensed capacity

** Includes rounding adjustment

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM -- CHILD CARE CENTERS
SCHEDULE OF REPORTED, ADJUSTED, AND ALLOWED ENROLLMENT
FOR THE PERIOD JULY 1, 200X TO JUNE 30, 200X

FIXED PERCENTAGE METHOD

<u>Enrollment</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>
<u>Total</u>												
Reported	1220	1220	1220	1220	1220	1220	1220	1220	1220	1220	1220	1220
Adjusted	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
Allowed	1020	1020	1020	1020	1020	1020	1020	1020	1020	1020	1020	1020
<u>Free</u>												
Reported	943	943	943	943	943	943	943	943	943	943	943	943
Adjusted	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
Allowed	743	743	743	743	743	743	743	743	743	743	743	743
<u>Reduced</u>												
Reported	18	18	18	18	18	18	18	18	18	18	18	18
Adjusted	0	0	0	0	0	0	0	0	0	0	0	0
Allowed	18	18	18	18	18	18	18	18	18	18	18	18
<u>Base</u>												
Reported	259	259	259	259	259	259	259	259	259	259	259	259
Adjusted	0	0	0	0	0	0	0	0	0	0	0	0
Allowed	259	259	259	259	259	259	259	259	259	259	259	259

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM -- CHILD CARE CENTERS
SCHEDULE OF REPORTED, ADJUSTED, AND ALLOWED MEALS
FOR THE PERIOD JULY 1, 200X TO JUNE 30, 200X

FIXED PERCENTAGE METHOD

	<u>Reported</u> <u>Jul 1, 200X to Jul 31, 200X</u>	<u>Adjusted*</u>	<u>Allowed</u>	<u>Reported</u> <u>Aug 1, 200X to Aug 31, 200X</u>	<u>Adjusted*</u>	<u>Allowed</u>	<u>Reported</u> <u>Sep 1, 200X to Sep 30, 200X</u>	<u>Adjusted*</u>	<u>Allowed</u>
<u>Breakfast</u>									
Free	17,189	(1,137)	16,052	17,017	(1,109)	15,908	15,444	(1,036)	14,408
Reduced	329	59	388	326	58	384	296	52	348
Base	4,719	878	5,597	4,671	876	5,547	4,239	785	5,024
Total	<u>22,237</u>	<u>(200)</u>	<u>22,037</u>	<u>22,014</u>	<u>(175)</u>	<u>21,839</u>	<u>19,979</u>	<u>(199)</u>	<u>19,780</u>
<u>Lunch</u>									
Free	17,750	(1,162)	16,588	15,887	(1,063)	14,824	15,447	(1,036)	14,411
Reduced	340	61	401	304	54	358	296	52	348
Base	4,873	911	5,784	4,361	809	5,170	4,240	785	5,025
Total	<u>22,963</u>	<u>(190)</u>	<u>22,773</u>	<u>20,552</u>	<u>(200)</u>	<u>20,352</u>	<u>19,983</u>	<u>(199)</u>	<u>19,784</u>
<u>Supplements</u>									
Free	17,078	(1,095)	15,983	15,559	(1,007)	14,552	15,061	(869)	14,192
Reduced	327	59	386	298	54	352	288	55	343
Base	4,688	886	5,574	4,271	803	5,074	4,135	814	4,949
Total	<u>22,093</u>	<u>(150)</u>	<u>21,943</u>	<u>20,128</u>	<u>(150)</u>	<u>19,978</u>	<u>19,484</u>	<u>0</u>	<u>19,484</u>
	<u>Reported</u> <u>Oct 1, 200X to Oct 30, 200X</u>	<u>Adjusted*</u>	<u>Allowed</u>	<u>Reported</u> <u>Nov 1, 200X to Nov 30, 200X</u>	<u>Adjusted*</u>	<u>Allowed</u>	<u>Reported</u> <u>Dec 1, 200X to Dec 31, 200X</u>	<u>Adjusted*</u>	<u>Allowed</u>
<u>Breakfast</u>									
Free	16,398	(1,059)	15,339	15,461	(1,020)	14,441	18,118	(1,181)	16,937
Reduced	314	57	371	296	53	349	347	62	409
Base	4,502	847	5,349	4,244	792	5,036	4,973	934	5,907
Total	<u>21,214</u>	<u>(155)</u>	<u>21,059</u>	<u>20,001</u>	<u>(175)</u>	<u>19,826</u>	<u>23,438</u>	<u>(185)</u>	<u>23,253</u>
<u>Lunch</u>									
Free	16,744	(1,079)	15,665	15,482	(1,021)	14,461	18,050	(1,176)	16,874
Reduced	321	58	379	296	53	349	346	62	408
Base	4,596	866	5,462	4,250	793	5,043	4,955	929	5,884
Total	<u>21,661</u>	<u>(155)</u>	<u>21,506</u>	<u>20,028</u>	<u>(1,175)</u>	<u>19,853</u>	<u>23,351</u>	<u>(185)</u>	<u>23,166</u>
<u>Supplements</u>									
Free	16,672	(1,075)	15,597	15,564	(1,026)	14,538	18,197	(1,184)	17,013
Reduced	319	58	377	298	53	351	348	63	411
Base	4,577	862	5,439	4,272	798	5,070	4,996	936	5,932
Total	<u>21,568</u>	<u>(155)</u>	<u>21,413</u>	<u>20,134</u>	<u>175</u>	<u>19,959</u>	<u>23,541</u>	<u>185</u>	<u>23,356</u>

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM -- CHILD CARE CENTERS
SCHEDULE OF REPORTED ADJUSTED, AND ALLOWED MEALS
FOR THE PERIOD JULY 1, 200X TO JUNE 30, 200X

FIXED PERCENTAGE METHOD

	<u>Reported</u> <u>Jan 1, 200X to Jan 31, 200X</u>	<u>Adjusted*</u>	<u>Allowed</u>	<u>Reported</u> <u>Feb 1, 200X to Feb 28, 200X</u>	<u>Adjusted*</u>	<u>Allowed</u>	<u>Reported</u> <u>Mar 1, 200X to Mar 31, 200X</u>	<u>Adjusted*</u>	<u>Allowed</u>
<u>Breakfast</u>									
Free	16,337	(1,061)	15,276	15,465	(1,030)	14,435	9,252	(679)	8,573
Reduced	313	56	369	296	53	349	177	30	207
Base	4,484	843	5,327	4,245	788	5,033	2,540	449	2,989
Total	<u>21,134</u>	<u>162</u>	<u>20,972</u>	<u>20,006</u>	<u>(189)</u>	<u>19,817</u>	<u>11,969</u>	<u>(200)</u>	<u>11,769</u>
<u>Lunch</u>									
Free	16,688	(1,081)	15,607	15,765	(1,047)	14,718	15,580	(1,045)	14,535
Reduced	320	57	377	302	54	356	298	53	351
Base	4,580	862	5,442	4,328	804	5,132	4,277	792	5,069
Total	<u>21,588</u>	<u>(162)</u>	<u>21,426</u>	<u>20,395</u>	<u>(189)</u>	<u>20,206</u>	<u>20,155</u>	<u>(200)</u>	<u>19,955</u>
<u>Supplements</u>									
Free	16,354	(1,062)	15,292	15,497	(1,032)	14,465	15,548	(1,043)	14,505
Reduced	313	56	369	297	53	350	298	52	350
Base	4,489	844	5,333	4,254	790	5,044	4,268	791	5,059
Total	<u>21,156</u>	<u>(162)</u>	<u>20,994</u>	<u>20,048</u>	<u>(189)</u>	<u>19,859</u>	<u>20,114</u>	<u>(200)</u>	<u>19,914</u>
	<u>Reported</u> <u>Apr 1, 200X to Apr 30, 200X</u>	<u>Adjusted*</u>	<u>Allowed</u>	<u>Reported</u> <u>May 1, 200X to May 31, 200X</u>	<u>Adjusted*</u>	<u>Allowed</u>	<u>Reported</u> <u>Jun 1, 200X to Jun 30, 200X</u>	<u>Adjusted*</u>	<u>Allowed</u>
<u>Breakfast</u>									
Free	14,447	(79)	13,468	13,132	(896)	12,236	13,570	(926)	12,644
Reduced	277	48	325	251	45	296	260	46	306
Base	3,966	731	4,697	3,605	661	4,266	3,725	684	4,409
Total	<u>18,690</u>	<u>(200)</u>	<u>18,490</u>	<u>16,988</u>	<u>(190)</u>	<u>16,798</u>	<u>17,555</u>	<u>(196)</u>	<u>17,359</u>
<u>Lunch</u>									
Free	15,393	(1,034)	14,359	13,323	(907)	12,416	13,737	(935)	12,802
Reduced	295	52	347	255	45	300	263	46	309
Base	4,225	782	5,007	3,658	672	4,330	3,771	693	4,464
Total	<u>19,913</u>	<u>(200)</u>	<u>19,713</u>	<u>17,236</u>	<u>(190)</u>	<u>17,046</u>	<u>17,771</u>	<u>(196)</u>	<u>17,575</u>
<u>Supplements</u>									
Free	14,755	(997)	13,758	13,699	(929)	12,770	1,370	(222)	1,148
Reduced	283	49	332	262	47	309	26	2	28
Base	4,050	748	4,798	3,761	692	4,453	376	24	400
Total	<u>19,088</u>	<u>(200)</u>	<u>18,888</u>	<u>17,722</u>	<u>(190)</u>	<u>17,532</u>	<u>1,772</u>	<u>(196)</u>	<u>1,576</u>

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM -- DAY CARE HOMES
SCHEDULE OF REPORTED, ADJUSTED,
ALLOWED MEALS, SITES AND EARNED REIMBURSEMENT
FOR THE PERIOD JULY 1, 200X TO JUNE 30, 200X

	<u>Reported</u>	<u>Adjusted Meals</u>	<u>Allowed</u>	<u>Food Service Rates</u>	<u>Revenue Recognized</u>	<u>Audit Adjustment</u>	<u>Earned Reimbursement</u>
<u>FEDERAL REIMBURSEMENT</u>							
Meal Compensation - Tier I							
Breakfast	<u>769,440</u>	<u>(769,440)</u>	<u>0</u>	\$0.9000	\$692,496.00	(\$692,496.00)	\$0
Lunch	<u>574,150</u>	<u>(574,150)</u>	<u>0</u>	1.5025	862,660.38	(862,660.38)	0
Supplement	<u>1,538,971</u>	<u>(1,538,971)</u>	<u>0</u>	0.4900	754,095.79	(754,095.79)	0
Supper	<u>460,158</u>	<u>(460,158)</u>	<u>0</u>	1.5025	691,387.40	(691,387.40)	0
Federal Meal Compensation					<u>\$3,000,639.57</u>	<u>(\$3,000,639.57)</u>	<u>\$0</u>
	<u>Reported</u>	<u>Adjusted Meals</u>	<u>Allowed</u>	<u>Food Service Rates</u>	<u>Revenue Recognized</u>	<u>Audit Adjustment</u>	<u>Earned Reimbursement</u>
<u>FEDERAL REIMBURSEMENT</u>							
Meal Compensation - Tier II							
Breakfast	<u>0</u>	<u>769,440</u>	<u>769,440</u>	0.3400	\$0	\$261,609.60	\$261,609.60
Lunch	<u>0</u>	<u>573,750</u>	<u>573,750</u>	0.8525	0	489,121.88	489,121.88
Supplement	<u>0</u>	<u>1,538,971</u>	<u>1,538,971</u>	0.1300	0	200,066.23	200,066.23
Supper	<u>0</u>	<u>459,758</u>	<u>459,758</u>	0.8525	0	391,943.70	391,943.70
Subtotal					<u>\$0</u>	<u>\$1,342,741.41</u>	<u>\$1,342,741.41</u>
Total Federal Meal Compensation					<u>\$3,000,639.57</u>	<u>(\$1,657,898.16)</u>	<u>\$1,342,741.41</u>
Cash-in-Lieu	<u>1,034,308</u>	<u>(800)</u>	<u>1,033,508</u>	0.1475	152,560.43	(118.00)	152,442.43
Total Allowable Administrative Reimbursements					<u>533,670.00</u>	<u>(154,449.23)</u>	<u>379,220.77</u>
Total Federal Reimbursement					<u>\$3,686,870.00</u>	<u>(\$1,812,465.39)</u>	<u>\$1,874,404.61</u>
STATE MEAL COMPENSATION	<u>1,007,693</u>	<u>(300)</u>	<u>1,007,393</u>	0.1335	<u>\$134,527.02</u>	<u>(\$40.05)</u>	<u>\$134,486.97</u>
Total Federal and State Reimbursement: Overpaid-- Refund Due the State						<u>(\$1,812,505.44)</u>	

Footnote:

* Adjusted meals are the result of the following actions: reclassifying enrolled children from Tier I to Tier II, attendance and meal count errors, and meal production noncompliance

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM -- DAY CARE HOMES
SCHEDULE OF REPORTED, ADJUSTED, AND ALLOWED MEALS AND HOMES
FOR THE PERIOD JULY 1, 200X TO JUNE 30, 200X

TIER I

TIER II

July 1, 200X to July 31, 200X

<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	<u>40,987</u>	<u>(40,987)</u>	<u>0</u>	<u>0</u>	<u>40,987</u>	<u>40,987</u>
Lunch	<u>30,987</u>	<u>(30,987)</u>	<u>0</u>	<u>0</u>	<u>30,587</u>	<u>30,587</u>
Supplement	<u>81,974</u>	<u>(81,974)</u>	<u>0</u>	<u>0</u>	<u>81,974</u>	<u>81,974</u>
Supper	<u>51,288</u>	<u>(51,288)</u>	<u>0</u>	<u>0</u>	<u>50,888</u>	<u>50,888</u>
<u>Homes</u>	<u>887</u>	<u>0</u>	<u>887</u>			

August 1, 200X to August 31, 200X

<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	<u>41,236</u>	<u>(41,236)</u>	<u>0</u>	<u>0</u>	<u>41,236</u>	<u>41,236</u>
Lunch	<u>51,000</u>	<u>(51,000)</u>	<u>0</u>	<u>0</u>	<u>51,000</u>	<u>51,000</u>
Supplement	<u>82,472</u>	<u>(82,472)</u>	<u>0</u>	<u>0</u>	<u>82,472</u>	<u>82,472</u>
Supper	<u>21,236</u>	<u>(21,236)</u>	<u>0</u>	<u>0</u>	<u>21,236</u>	<u>21,236</u>
<u>Homes</u>	<u>891</u>	<u>0</u>	<u>891</u>			

September 1, 200X to September 30, 200X

<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	<u>48,090</u>	<u>(48,090)</u>	<u>0</u>	<u>0</u>	<u>48,090</u>	<u>48,090</u>
Lunch	<u>32,500</u>	<u>(32,500)</u>	<u>0</u>	<u>0</u>	<u>32,500</u>	<u>32,500</u>
Supplement	<u>96,180</u>	<u>(96,180)</u>	<u>0</u>	<u>0</u>	<u>96,180</u>	<u>96,180</u>
Supper	<u>58,010</u>	<u>(58,010)</u>	<u>0</u>	<u>0</u>	<u>58,010</u>	<u>58,010</u>
<u>Homes</u>	<u>880</u>	<u>0</u>	<u>880</u>			

Footnote:

*Adjusted meals are the result of the following actions: reclassifying enrolled children from Tier I to Tier II, attendance and meal count errors, and meal production noncompliance

XYZ CHILD DEVELOPMENT, INC
CHILD AND ADULT CARE FOOD PROGRAM - DAY CARE HOMES
SCHEDULE OF REPORTED, ADJUSTED, AND ALLOWED MEALS AND HOMES
FOR THE PERIOD JULY 1, 200X TO JUNE 30, 200X

TIER I

TIER II

October 1, 200X to October 31, 200X

<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	56,908	(56,908)	0	0	56,908	56,908
Lunch	46,500	(46,500)	0	0	46,500	46,500
Supplement	113,816	(113,816)	0	0	113,816	113,816
Supper	43,557	(43,557)	0	0	43,557	43,557
Homes	892	0	892			

November 1, 200X to November 30, 200X

<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	60,987	(60,987)	0	0	60,987	60,987
Lunch	30,888	(30,888)	0	0	30,888	30,888
Supplement	121,974	(121,974)	0	0	121,974	121,974
Supper	48,567	(48,567)	0	0	48,567	48,567
Homes	910	0	910			

December 1, 200X to December 31, 200X

<u>Meal Type</u>	<u>Reported</u>	<u>Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	45,678	(45,678)	0	0	45,678	45,678
Lunch	38,978	(38,978)	0	0	38,978	38,978
Supplement	91,356	(91,356)	0	0	91,356	91,356
Supper	32,678	(32,678)	0	0	32,678	32,678
Homes	924	0	924			

Footnote:

* Adjusted meals are the result of the following actions: reclassifying enrolled children from Tier I to Tier II, attendance and meal count errors, and meal production noncompliance

XYZ CHILD DEVELOPMENT, INC
CHILD AND ADULT CARE FOOD PROGRAM - - DAY CARE HOMES
SCHEDULE OF REPORTED, ADJUSTED, AND ALLOWED MEALS AND HOMES
FOR THE PERIOD JULY 1, 200X TO JUNE 30, 200X

TIER I

TIER II

January 1, 200X to January 31, 200X

<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	67,890	(67,890)	0	0	67,890	67,890
Lunch	49,876	(49,876)	0	0	49,876	49,876
Supplement	135,780	(135,780)	0	0	135,780	135,780
Supper	27,654	(27,654)	0	0	27,654	27,654
<u>Homes</u>	<u>931</u>	<u>0</u>	<u>931</u>			

February 1, 200X to February 28, 200X

<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	75,098	(75,098)	0	0	75,098	75,098
Lunch	52,326	(52,326)	0	0	52,326	52,326
Supplement	150,196	(150,196)	0	0	150,196	150,196
Supper	26,543	(26,543)	0	0	26,543	26,543
<u>Homes</u>	<u>942</u>	<u>0</u>	<u>942</u>			

March 1, 200X to March 31, 200X

<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	78,907	(78,907)	0	0	78,907	78,907
Lunch	58,765	(58,765)	0	0	58,765	58,765
Supplement	157,814	(157,814)	0	0	157,814	157,814
Supper	35,789	(35,789)	0	0	35,789	35,789
<u>Homes</u>	<u>941</u>	<u>0</u>	<u>941</u>			

Footnote:

* Adjusted meals are the result of the following actions: reclassifying enrolled children from Tier I to Tier II, attendance and meal count errors, and meal production noncompliance

XYZ CHILD DEVELOPMENT, INC
CHILD AND ADULT CARE FOOD PROGRAM -- DAY CARE HOMES
SCHEDULE OF REPORTED, ADJUSTED, AND ALLOWED MEALS AND HOMES
FOR THE PERIOD JULY 1, 200X TO JUNE 30, 200X

TIER I

TIER II - LOW

April 1, 200X to April 30, 200X

<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	<u>79,987</u>	<u>(79,987)</u>	<u>0</u>	<u>0</u>	<u>79,987</u>	<u>79,987</u>
Lunch	<u>58,065</u>	<u>(58,065)</u>	<u>0</u>	<u>0</u>	<u>58,065</u>	<u>58,065</u>
Supplement	<u>159,975</u>	<u>(159,975)</u>	<u>0</u>	<u>0</u>	<u>159,975</u>	<u>159,975</u>
Supper	<u>35,001</u>	<u>(35,001)</u>	<u>0</u>	<u>0</u>	<u>35,001</u>	<u>35,001</u>
<u>Homes</u>	<u>915</u>	<u>0</u>	<u>915</u>			

May 1, 200X to May 31, 200X

<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	<u>80,895</u>	<u>(80,895)</u>	<u>0</u>	<u>0</u>	<u>80,895</u>	<u>80,895</u>
Lunch	<u>59,876</u>	<u>(59,876)</u>	<u>0</u>	<u>0</u>	<u>59,876</u>	<u>59,876</u>
Supplement	<u>161,880</u>	<u>(161,880)</u>	<u>0</u>	<u>0</u>	<u>161,880</u>	<u>161,880</u>
Supper	<u>36,547</u>	<u>(36,547)</u>	<u>0</u>	<u>0</u>	<u>36,547</u>	<u>36,547</u>
<u>Homes</u>	<u>910</u>	<u>0</u>	<u>910</u>			

June 1, 200X to June 30, 200X

<u>Meal Type</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>*Adjusted</u>	<u>Allowed</u>
Breakfast	<u>92,777</u>	<u>(92,777)</u>	<u>0</u>	<u>0</u>	<u>92,777</u>	<u>92,777</u>
Lunch	<u>64,389</u>	<u>(64,389)</u>	<u>0</u>	<u>0</u>	<u>64,389</u>	<u>64,389</u>
Supplement	<u>185,554</u>	<u>(185,554)</u>	<u>0</u>	<u>0</u>	<u>185,554</u>	<u>185,554</u>
Supper	<u>43,288</u>	<u>(43,288)</u>	<u>0</u>	<u>0</u>	<u>43,288</u>	<u>43,288</u>
<u>Homes</u>	<u>903</u>	<u>0</u>	<u>903</u>			

Footnote:

* Adjusted meals are the result of the following actions: reclassifying enrolled children from Tier to Tier II, attendance and meal count errors, and meal production noncompliance

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM -- DAY CARE HOMES
DETERMINATION OF ALLOWABLE ADMINISTRATIVE REIMBURSEMENT
FOR THE PERIOD JULY 1, 200X TO JUNE 30, 200X

A. Reimbursement Rates Calculation

<u>Number of Homes</u>	<u>Reported Homes</u>	<u>Adjusted Homes</u>	<u>Allowed Homes</u>	<u>Day Care Home Adm. Payment Rates</u>	<u>Total</u>
0-50	600	0	600	\$76	\$45,600.00
51-200	1,800	0	1,800	58	104,400.00
201-1000	8,526	0	8,526	45	383,670.00
> 1000	0	0	0	40	0.00
Total Homes Times Applicable Rates					<u>\$533,670.00</u>

B. Net Administrative Costs Allowed (From Schedule of Allowed Administrative Costs) \$379,220.77

C. Total Approved Administrative Budget \$537,996.00

D.	(1) Total Allowable Reimbursements <u>Fed. Meal & State Meal</u>	(2) Lesser of Costs, Budget or Homes <u>(A, B or C)</u>	Sum of Column <u>(1) and (2)</u>		Applicable <u>Rate</u>	
	\$1,629,670.81	\$379,220.77	\$2,008,891.58	X	30%	<u><u>\$602,667.47</u></u>

E. Total Allowable Administrative Reimbursement (Lesser of line A, B, C or D) \$379,220.77

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM -- DAY CARE HOMES

SCHEDULE OF REPORTED, ADJUSTED AND
ALLOWED ADMINISTRATIVE INCOME

FOR THE PERIOD OF JULY 1, 200X TO JUNE 30, 200X

<u>Period</u>	<u>Reported*</u>	<u>Adjusted</u>	<u>Allowed</u>
July	\$2,149.92	\$(11.66) ⁽¹⁾	\$2,138.26
August	2,770.54	1,030.00 ⁽³⁾	3,800.54
September	2,420.74	1,878.15 ⁽³⁾	4,298.89
October	3,106.12	0.00	3,106.12
November	2,759.69	5,000.00 ⁽³⁾	7,759.69
December	2,542.85	0.00	2,542.85
January	3,537.40	2,000.00 ⁽³⁾	5,537.40
February	3,827.50	0.00	3,827.50
March	4,135.32	564.30 ⁽³⁾	4,699.62
April	4,146.74	0.00	4,146.74
May	4,228.41	0.00	4,228.42
June	4,720.85	111.66 ⁽²⁾	4,832.51
	<u>\$40,346.08</u>	<u>\$10,572.45</u>	<u>\$50,918.53</u>

Footnotes:

* Retained 30% of State Meal Compensation

(1) Disallowed breakfast and lunch meals

(2) Interest income earned

(3) Other income

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT CARE FOOD PROGRAM -- DAY CARE HOMES
DETERMINATION OF REPORTED, ADJUSTED, AND ALLOWED COST
FOR THE PERIOD JULY 1, 200X TO JUNE 30, 200X

Summary of Reported and Allowed Administrative Costs

<u>Period</u>	<u>Reported Cost</u>	<u>Audit Adjustments</u>	<u>Budget Deficit Adjustments</u>	<u>Allowed Cost</u>
July	\$37,926.00	\$ (3,845.98)	(\$6,458.67)	\$27,621.35
August	43,554.00	(3,869.23)	(6,458.67)	33,226.10
September	43,574.00	(5,794.60)	(6,458.67)	31,320.73
October	64,456.00	(5,918.10)	(6,458.67)	53,079.23
November	32,073.00	(3,215.31)	(6,458.67)	22,399.02
December	39,961.00	(3,461.26)	(6,458.67)	30,041.07
January	47,136.00	(4,537.71)	(6,458.67)	36,139.62
February	42,357.00	(3,273.06)	(6,458.67)	32,625.27
March	40,845.00	(3,457.08)	(6,458.67)	30,929.25
April	39,799.00	(3,680.82)	(6,458.67)	29,659.25
May	51,673.00	(3,304.65)	(6,458.67)	41,909.68
June	70,665.00	(3,017.86)	(5,458.67)	61,188.47
Totals	<u>\$554,019.00</u>	<u>\$ (47,375.66)</u>	<u>(\$76,504.00)*</u>	<u>\$430,139.30**</u>
State Meal Compensation Funds Retained by Sponsor (0 to 30%)				(40,346.08)
Other Income				<u>(10,572.45)</u>
Net Administrative Costs				<u>\$379,220.77</u>

Note:

*Includes rounding adjustment .04.

** Includes rounding adjustment (.04)

XYZ CHILD DEVELOPMENT, INC.
CHILD AND ADULT ARE FOOD PROGRAM -- DAY CARE HOMES
FOR THE PERIOD JULY 1, 200X TO JUNE 30 200X

Determination of Budget Deficit (Adjustments)				
Category	Approved Budget	Actual Cost	Budget Deficit	Budget Savings
Administrative Labor				
Salaries	\$276,978.00	\$309,556.00	\$32,578.00	\$0.00
Benefits	90,624.00	31,854.00	0.00	58,770.00
Administrative Supplies				
Equipment purchased under \$5,000	300.00	15,649.00	15,349.00	0.00
Equipment purchased \$5,000 and over	11,954.00	9,243.00	0.00	2,711.00
Office supplies	0.00	0.00	0.00	0.00
Postage	29,980.00	34,223.00	4,243.00	0.00
Printing	7,680.00	9,169.00	1,489.00	0.00
Administrative Services				
Office space	37,200.00	37,200.00	0.00	0.00
Utilities and communication	9,120.00	12,012.00	2,892.00	0.00
Vehicle lease	12,720.00	13,284.00	564.00	0.00
Equipment Lease	0.00	0.00	0.00	0.00
Contract services	0.00	0.00	0.00	0.00
Training	0.00	0.00	0.00	0.00
Advertising	0.00	0.00	0.00	0.00
Dues, subscriptions memberships	0.00	0.00	0.00	0.00
Insurance premiums	0.00	0.00	0.00	0.00
License related expenses	0.00	0.00	0.00	0.00
Administrative Expenses				
Program activities	0.00	0.00	0.00	0.00
In-state workshops	48,240.00	55,161.00	6,921.00	0.00
Out-of-state conference	0.00	0.00	0.00	0.00
Miscellaneous Expenses				
Other	13,200.00	26,668.00	13,468.00	0.00
Total	\$537,996.00	\$554,019.00	\$77,504.00	\$61,481.00

XYZ CHILD DEVELOPMENT, INC.
DETERMINATION OF ALLOWED PROVIDER PAYMENTS
(FEDERAL AND STATE)
FOR THE PERIOD JULY 1, 200X TO JUNE 30, 200X

<u>Period</u>	<u>Allowed Federal Funds Owed Providers</u>	<u>Allowed State Funds Owed Providers</u>	<u>Total Allowed Funds Owed Providers</u>	<u>Total Funds Paid Providers</u>	<u>Total Funds Underpaid (Overpaid)</u>
July	\$106,067.20	\$5,016.49	\$111,083.69	\$217,853.79	\$ (106,770.10)
August	96,977.60	6,464.59	103,442.19	203,177.67	(99,735.48)
September	119,364.00	5,648.40	125,012.40	245,399.10	(120,386.70)
October	124,201.80	7,247.61	131,449.41	262,828.70	(131,379.29)
November	116,047.20	6,439.27	122,486.47	252,195.58	(129,709.11)
December	99,062.80	5,933.33	104,996.13	210,040.37	(105,044.24)
January	118,264.00	8,253.92	126,517.92	263,811.62	(137,293.70)
February	123,927.80	8,930.83	132,858.63	280,248.92	(147,390.29)
March	141,898.20	9,649.09	151,547.29	314,008.35	(162,461.06)
April	141,058.33	9,675.72	150,734.05	313,610.67	(162,876.62)
May	144,971.70	9,866.29	154,837.99	321,090.94	(166,252.95)
June	163,343.20	11,015.37	174,358.57	363,103.18	(188,744.61)
Totals	<u>\$1,495,183.83</u>	<u>\$94,140.91</u>	<u>\$1,589,324.74</u>	<u>\$3,247,368.89</u>	<u>\$ (1,658,044.15)</u>

Footnotes:

* Overpayment is attributed to funds paid day care home providers based on Tier I instead of Tier II meals, attendance and meal count errors, and meal production noncompliance

Auditor's Letterhead

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

To the Board of Directors
XYZ Child Development, Inc.

We have audited the financial statements of **XYZ Child Development, Inc.** (a not-for-profit organization), as of and for the year ended June 30, 200X, and have issued our report thereon dated September 30, 200X. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether XYZ Child Development, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*. These are described in the accompanying Schedule of Findings and Questioned Costs as items, 200X-1, 200X-2, and 200X-3.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered XYZ Child Development, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted a certain matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect XYZ Child Development, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item, 200X-4.

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards*
(Continued)**

However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of XYZ Child Development, Inc. in a separate letter dated September 30, 200X.

This report is intended solely for the information of the audit committee, management, and appropriate government agencies. However, this report is a matter of public record and its distribution is not limited.

Bean, Bean & Counter
Certified Public Accountants

September 30, 200X

XYZ Child Development, Inc.
NOTES TO THE SUPPLEMENTARY INFORMATION
June 30, 200X

1. Indirect Cost Rate Limitation

In accordance with the Funding Terms and Conditions (FT&C's) for Alternative Payment Programs, indirect costs related to administrative activities fall within the eight percent (8%) maximum limitation.

2. Statement of Cash Flows

SFAS No. 117 encourages organizations to use the direct method for reporting net cash flows from operating activities, but it also allows them to use the indirect method.

3. Schedule of Expenditures of Federal and State Awards

Federal and State awards expended are reported on the accrual basis of accounting in conformity with generally accepted accounting principles as described in the Notes to the Financial Statements.

Name of Federal Program:

CFDA Number:

Child and Adult Care Food Program
Child Care and Development Block Grant

10.558
93.757

XYZ Child Development, Inc.
NOTES TO THE SUPPLEMENTARY INFORMATION
June 30, 200X

4. Special Rent Subsidy

The Agency receives special rent subsidy from a private foundation, which is used to reimburse the Agency for the rent of the child center site. These funds have been reported as restricted Child Development program income of \$60,000 on the Status of Operating Agency Contracts, contract numbers GCTRxxxx (Line 2.a) and FCTRxxxx (Line 2.a). The rental charge for the child center site is \$6,000 a month.

5. Property

Property purchased with CDE contract funds during fiscal year 200X-200X has been separately accounted for in the property management system.

6. Claim Preparation

Centers:

Monthly CACFP claims were prepared in accordance with the Total Count - Fixed Percentage claiming method.

The "Total Count - Fixed Percentage" claiming method requires each Agency to accurately categorize enrollment data into free, reduced price, and base rate categories at least one time at the beginning of the fiscal year. The percentage for each category becomes the percentage used to determine reimbursement for the fiscal year. These percentages may be adjusted by the Agency to accurately categorize enrollment if material changes in the enrollment percentages occur during the fiscal year.

Day Care Homes:

Monthly CACFP claims were prepared in accordance with the Tiering claiming method.

XYZ Child Development, Inc.
NOTES TO THE SUPPLEMENTARY INFORMATION
June 30, 200X

Tiering:

A day care home sponsor must collect eligibility from each day care home provider under sponsorship. All providers are Tier II unless eligibility has been documented. A Tier I home is determined based on either the location of the home in an eligible area or by the provider's income. Sponsors must document the determinations and keep on file as long as the classification is in effect plus three fiscal years.

Tier I eligibility determinations:

- A day care home located in the enrollment zone of an elementary school in which at least 50% of the children enrolled are certified eligible to receive free or reduced price meals. This is documented in the provider's file showing the provider's address is within the attendance zone of the school and documentation that the school is eligible. This determination is good for three years. All eligible meals served to enrolled children in the provider's home are reimbursed at Tier I rates.
- A day care home that is located in a geographic area, as defined by USDA based on census data, in which at least 50% of the children residing in the area are from households which meet the income standards for free or reduced price meals. Documentation from census tract must verify this determination. This determination is good until the next census. All eligible meals served to enrolled children in this provider's home are reimbursed at Tier I rates.
- The provider's household income may be used to classify the home as Tier I. The household income must be verified using the Provider's Federal income tax documents, i.e. Form 1040; a copy of a pay stub; or a statement of day care home business income and expenses. This determination is good until new income eligibility guidelines are published July the following year.

Children enrolled in a Tier II home may be Tier I eligible:

A Tier II provider may ask the sponsoring organization to collect eligibility applications from the parents of her enrolled children. The sponsor determines the eligibility and gives the provider the number of eligible Tier I and Tier II children.

7. Allowable Indirect Costs

Indirect costs are only applicable to the 1000-5000 series of general ledger expenditure accounts in the California School Accounting Manual. In accordance with CDP's FT&C's, indirect costs cannot be charged on capital outlay expenditures in the 6000 series accounts.

Auditor's Letterhead

MANAGEMENT LETTER

To the Board of Directors
XYZ Child Development, Inc.

In planning and performing our audit of the financial statements of **XYZ Child Development, Inc.** for the year ended June 30, 200X, we considered its internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated September 30, 200X, on the financial statements of **XYZ Child Development, Inc.**

1. During the audit, it was noted that parent fees requirements could not be verified to actual collections because of inadequate documentation.

Recommendation

A record of each parent's required fee, based on the family income, should be maintained. In addition, the collection should be recorded to ascertain that all required parent fees are collected.

2. We are questioning the travel cost of \$127.10 for a conference, which was claimed under the agency's State Child Development Program, because the conference was for Head Start teachers. Such expense should have been claimed as part of the Head Start Program.

We will review the status of these matters during our next audit engagement. We have already discussed these matters with management, and will be pleased to discuss them in further detail at your convenience or assist in implementing the recommendation.

The information contained in this letter is intended solely for the use of the Board of Directors, audit committee, management, and appropriate government agencies.

Bean, Bean & Counter
Certified Public Accountants

September 30, 200X

AUDIT FORM NUMBER CROSS-REFERENCE TO CHILD DEVELOPMENT PROGRAMS FISCAL YEAR 2001 -- 2002				
New Form Number	Contract Prefix	Program Name	Program Type (a)	AFR Worksheet
AUD 1400	GHAN	Special Programs - Severely Handicapped	Center-Based	C-B
AUD 2507	FBRR	Resource and Referral - Federal	Resource & Referral	R&R
	GFRR	Resource and Referral - State	Resource & Referral	R&R
AUD 8501	GPRE	State Preschool	Center-Based	C-B
	GWAP	Full-Day Preschool	Center-Based	C-B
AUD 9500	FCTR	Center Child Care - Federal	Center-Based	C-B
	GCTR	Center Child Care - State	Center-Based	C-B
	FHUD	Housing and Development Federal	Center-Based	C-B
	GHUD	Housing and Development State	Center-Based	C-B
	GCAM	Campus Child Care	Center-Based	C-B
	GMIG	Migrant Child Care	Center-Based	C-B
AUD 9500-A	GMSS	Migrant Specialized Services	Center-Based	C-B
AUD 9500-AP	F2AP	Alternative Payment Stage 2 - Federal	CalWORKS	CalWorks
	G2AP	Alternative Payment Stage 2 - State	CalWORKS	CalWorks
	F3TO	Alternative Payment Stage 3 - Federal	CalWORKS	CalWorks
	G3TO	Alternative Payment Stage 3 - State	CalWORKS	CalWorks
	FAPP	Alternative Payment - Federal	Alternative Payment	AP
	GAPP	Alternative Payment - State	Alternative Payment	AP
	FMAP	Migrant Alternative Payment - Federal	Alternative Payment	AP
	FCPS	Child Protective Services - Federal	Alternative Payment	AP
	GCPS	Child Protective Services - State	Alternative Payment	AP
	FFCC	Family Child Care Homes - Federal	Family Child Care Home	FCCH
	GFCC	Family Child Care Homes - State	Family Child Care Home	FCCH
AUD 9516-D	GLTK	Extended Day Care - Latchkey - Days	Latchkey	Latchkey
AUD 9516-H	GLTK	Extended Day Care - Latchkey - Hours	Latchkey	Latchkey
AUD 9529	FCAP	Capacity Project - Federal	One-Time-Only	Grant
	FCIP	Infant/Toddler Earmarked - Federal	One-Time-Only	Grant
	FHST	Health and Safety - Federal	One-Time-Only	Grant
	FLPC	Local Planning Council - Federal	One-Time-Only	Planning Grant
	FQUI	Consortium – Federal	One-Time-Only	Grant
	FSCC	School Age Resource - Federal	One-Time-Only	Grant
	GIMS	Instructional Materials - State	One-Time-Only	Grant
	GMSC	Miscellaneous – State	One-Time-Only	Grant
	GRPM	Renovation and Repair - State	One-Time-Only	Grant
(a) The former Audited Final Reimbursement (AFR) Calculation Worksheet's <i>Fiscal Year Summary</i> showed these Program Types, except that "One-Time Only" contracts were shown as "Grants."				
Note: Contract Prefixes beginning with an "F" designate Federal contracts and those beginning with a "G," State contracts.				

**AUDITED FINAL ATTENDANCE AND FISCAL REPORT
for State Preschool Programs**

Agency Name: XYZ Child Development, Inc. Vendor No. Z999

Fiscal Year End: June 30, 200X Contract No. GWAPxxxx

Independent Auditor's Name: Bean, Bean and Counter, CPA's

SECTION I - CERTIFIED CHILDREN	EDP NO.	COLUMN A	COLUMN B	COLUMN C
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
Days of Enrollment	190	6,920	5	6,925
Days of Operation	169	250		250
Days of Attendance	179	6,720		6,720

SECTION II - NONCERTIFIED CHILDREN

<input checked="" type="checkbox"/> No Noncertified Children Check this box and continue to Section III if no noncertified children are enrolled in the program				
Days of Enrollment	290			0

Independent Auditor's Certifications on meeting the requirements of the California Department of Education, Child Development Division:

Attendance records are being maintained as required (check YES or NO):

☒ YES

☐ NO - Explain any discrepancies.

Attendance data reported in Column C, above, agree with the original supporting records,
such as sign-in/sign-out sheets and daily attendance records (check YES or NO):

☒ YES

☐ NO - Explain any discrepancies.

COMMENTS - If necessary, attach additional sheet(s) to explain information contained on this page:

**AUDITED FINAL ATTENDANCE AND FISCAL REPORT
for State Preschool Programs**

Agency Name: XYZ Child Development, Inc. Vendor No. Z999

Fiscal Year End: June 30, 200X Contract No. GWAPxxxx

SECTION III - REVENUE	EDP NO.	COLUMN A	COLUMN B	COLUMN C
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
Child Care Food/National School Lunch Program	302	\$0	\$0	\$0
Restricted income for operating costs	308			0
Maintenance of Effort	339			0
Other (specify):	312			0
SUBTOTAL	311	0	0	0
TRANSFER FROM RESERVE FUND	310			0
FAMILY FEES FOR CERTIFIED CHILDREN (GWAP Only)	329			0
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	349			0
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356			0
Cal Learn Program	306			0
Head Start Funds	360			0
Other (specify):	362			0
TOTAL REVENUE	390	\$0	\$0	\$0

SECTION IV - EXPENSES

REIMBURSABLE EXPENSES				
1000 Certificated Salaries	402	\$36,000	\$0	\$36,000
2000 Classified Salaries	404	7,500		7,500
3000 Employee Benefits	406	13,000		13,000
4000 Books and Supplies	408	1,500		1,500
5000 Services and Other Operating Expenses	412	35,000		35,000
6100/6200 Other Approved Capital Outlay	413			0
6400 New Equipment (program-related)	414			0
6500 Equipment Replacement (program-related)	416			0
Depreciation or Use Allowance	439			0
Start-Up Expenses (service level exemption)	447			0
Indirect Costs -- Rate: 7.53%	459	7,000		7,000
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			0
Other nonreimbursable expenses (specify):	489			0
Total Expenses	490	\$100,000	\$0	\$100,000
TOTAL ADMINISTRATIVE COST (included in section IV above)		\$12,000	\$0	\$12,000

COMMENTS - If necessary, attach additional sheet(s) to explain information contained on this page:

AUDITED FINAL ATTENDANCE AND FISCAL REPORT for Child Development Programs						
Agency Name: <u>XYZ Child Development Inc.</u>		Vendor No. <u>Z999</u>				
Fiscal Year Ended: <u>June 30, 200X</u>		Contract No. <u>GCTRxxxx</u>				
Independent Auditor's Name: <u>Bean, Bean and Counter, CPA's</u>						
SECTION I - CERTIFIED CHILDREN	EDP NO.	COLUMN A CUMULATIVE FISCAL YEAR PER AGENCY	COLUMN B AUDIT ADJUSTMENTS	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT	COLUMN D ADJUSTMENT FACTOR	COLUMN E ADJUSTED DAYS OF ENROLLMENT PER AUDIT
DAYS OF ENROLLMENT						
<i>Infants (up to 18 months)</i>						
Full-time-plus	101			-	2.006	-
Full-time	103	5,867	771	6,638	1.700	11,285
Three-quarters-time	105			-	1.275	-
One-half-time	107			-	0.935	-
<i>FCCH Infants (up to 18 months)</i>						
Full-time plus	101A			-	1.652	-
Full-time	103A			-	1.400	-
Three-quarters-time	105A			-	1.050	-
One-half-time	107A			-	0.770	-
<i>Toddlers (18 up to 36 months)</i>						
Full-time-plus	101B			-	1.652	-
Full-time	103B	2,542	56	2,598	1.400	3,637
Three-quarters-time	105B	48		48	1.050	50
On-half-time	107B	5		5	0.770	4
<i>Three Years and Older</i>						
Full-time-plus	111			-	1.180	-
Full-time	113	26,750	1,624	28,374	1.000	28,374
Three-quarters-time	115	4,647		4,647	0.750	3,485
One-half-time	117	6,480		6,480	0.550	3,564
<i>Exceptional Needs</i>						
Full-time-plus	121			-	1.416	-
Full-time	123			-	1.200	-
Three-quarters-time	125			-	0.900	-
One-half-time	127			-	0.660	-
<i>Limited and Non-English Proficient</i>						
Full-time-plus	131			-	1.298	-
Full-time	133			-	1.100	-
Three-quarters-time	135			-	0.825	-
One-half-time	137			-	0.605	-
<i>Children at Risk of Abuse or Neglect</i>						
Full-time-plus	141			-	1.298	-
Full-time	143	132	21	153	1.100	168
Three-quarters-time	145			-	0.825	-
One-half-time	147			-	0.605	-
<i>Severely Handicapped</i>						
Full-time-plus	151			-	1.770	-
Full-time	153			-	1.500	-
Three-quarters-time	155			-	1.125	-
One-half-time	157			-	0.825	-
TOTAL DAYS OF ENROLLMENT	190	46,471	2,472	48,943		50,567
DAYS OF OPERATION	169	250		250		
DAYS OF ATTENDANCE	179	48,529		48,529		

☐ NO NONCERTIFIED CHILDREN - Check this box and continue to Section III if no noncertified children were enrolled in the program.

AUDITED FINAL ATTENDANCE AND FISCAL REPORT for Child Development Programs						
Agency Name: <u>XYZ Child Development Inc.</u>			Vendor No. <u>Z999</u>			
Fiscal Year Ended: <u>June 30, 200X</u>			Contract No. <u>GCTRxxxx</u>			
			Commingled Contract No. (If Any) <u>FCTRxxxx</u>			
SECTION II - NONCERTIFIED CHILDREN Report all children who were not certified but were served at the same site(s) as certified children.	EDP NO.	COLUMN A CUMULATIVE FISCAL YEAR PER AGENCY	COLUMN B AUDIT ADJUSTMENTS	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT	COLUMN D ADJUSTMENT FACTOR	COLUMN E ADJUSTED DAYS OF ENROLLMENT PER AUDIT
DAYS OF ENROLLMENT						
<i>Infants (up to 18 months)</i>						
Full-time-plus	201			-	2.006	-
Full-time	203	785		785	1.700	1,335
Three-quarters-time	205	6		6	1.275	8
One-half-time	207	5		5	0.935	5
FCCH Infants (up to 18 months)						
Full-time plus	201A			-	1.652	-
Full-time	203A			-	1.400	-
Three-quarters-time	205A			-	1.050	-
One-half-time	207A			-	0.770	-
Toddlers (18 up to 36 months)						
Full-time-plus	201B			-	1.652	-
Full-time	203B	943		943	1.400	1,320
Three-quarters-time	205B	45		45	1.050	47
On-half-time	207B	12		12	0.770	9
Three Years and Older						
Full-time-plus	211			-	1.180	-
Full-time	213	4,094	198	4,292	1.000	4,292
Three-quarters-time	215	885		885	0.750	664
One-half-time	217	5,045	(361)	4,684	0.550	2,576
Exceptional Needs						
Full-time-plus	221			-	1.416	-
Full-time	223			-	1.200	-
Three-quarters-time	225			-	0.900	-
One-half-time	227			-	0.660	-
Limited and Non-English Proficient						
Full-time-plus	231			-	1.298	-
Full-time	233			-	1.100	-
Three-quarters-time	235			-	0.825	-
One-half-time	237			-	0.605	-
Children at Risk of Abuse or Neglect						
Full-time-plus	241			-	1.298	-
Full-time	243			-	1.100	-
Three-quarters-time	245			-	0.825	-
One-half-time	247			-	0.605	-
Severely Handicapped						
Full-time-plus	251			-	1.770	-
Full-time	253			-	1.500	-
Three-quarters-time	255			-	1.125	-
One-half-time	257			-	0.825	-
TOTAL DAYS OF ENROLLMENT	290	11,820	(163)	11,657		10,255

AUDITED FINAL ATTENDANCE AND FISCAL REPORT for Child Development Programs				
Agency Name: <u>XYZ Child Development Inc.</u>		Vendor No. <u>Z999</u>		
Fiscal Year End: <u>June 30, 200X</u>		Contract No. <u>GCTRxxxx</u>		
		Commingled Contract No. (If Any) <u>FCTRxxxx</u>		
SECTION III - REVENUE	EDP NO.	COLUMN A CUMULATIVE FISCAL YEAR PER AGENCY	COLUMN B AUDIT ADJUSTMENT INCREASE OR (DECREASE)	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
CCF/National School Lunch Program	302	\$25,462	\$0	\$25,462
Restricted income for operating costs	308	57,466		57,466
Maintenance of Effort	339	27,000		27,000
Other (specify): Rent subsidy	312	60,000		60,000
SUBTOTAL	310	169,928	0	169,928
TRANSFER FROM RESERVE FUND	311	0		0
FAMILY FEES FOR CERTIFIED CHILDREN				
State General Fund	329	54,581		54,581
Federal Fund	331			0
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS				
State General Fund	349	3,242		3,242
Federal Fund	350			0
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356			0
Cal Learn Program	358			0
Other (specify):	362	0	0	0
TOTAL REVENUE	390	\$227,751	\$0	\$227,751
SECTION IV - EXPENSES				
REIMBURSABLE EXPENSES				
Direct Payments to Providers (FCCH Only)	401	\$0	\$0	\$0
1000 Certificated Salaries	402	169,210		169,210
2000 Classified Salaries	404	115,781		115,781
3000 Employee Benefits	406	38,942		38,942
4000 Books and Supplies	408	50,478		50,478
5000 Services/Other Operating Expenses	412	379,474		379,474
6100/6200 Other Approved Capital Outlay	413	9,100		9,100
6400 New Equipment (program-related)	414	31,049		31,049
6500 Replace Equipment (program-related)	416			0
Depreciation or Use Allowance	439	9,250		9,250
Start-Up Expenses (service level exemption)	447	5,200		5,200
Start-Up/Close-Down Expenses (migrant)	449			0
Indirect Costs -- Rate %: 7.70%	459	62,250		62,250
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479	18,826		18,826
Other nonreimbursable expenses (specify):				
	489			0
TOTAL EXPENSES	490	\$889,560	\$0	\$889,560
TOTAL ADMINISTRATIVE COST (in Sec. IV)		\$105,054	\$0	\$105,054

Independent Auditor's Certifications on meeting the requirements of the California Department of Education, Child Development Division:

Attendance records are being maintained as required (check YES or NO):

☒ YES

☐ NO - Explain any discrepancies.

Attendance data reported in Column C of pages 1 and 2 agree with the original supporting records, such as sign-in/sign-out sheets and daily attendance records (check YES or NO):

☒ YES

☐ NO - Explain any discrepancies.

COMMENTS:

Attendance adjustments were made to correct math errors.

AUDITED FINAL ATTENDANCE AND FISCAL REPORT for Child Development Programs						
Agency Name: <u>XYZ Child Development Inc.</u>		Vendor No. <u>Z999</u>				
Fiscal Year Ended: <u>June 30, 200X</u>		Contract No. <u>FCTRxxxx</u>				
Independent Auditor's Name: <u>Bean, Bean and Counter, CPA's</u>						
SECTION I - CERTIFIED CHILDREN	EDP NO.	COLUMN A CUMULATIVE FISCAL YEAR PER AGENCY	COLUMN B AUDIT ADJUSTMENTS	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT	COLUMN D ADJUSTMENT FACTOR	COLUMN E ADJUSTED DAYS OF ENROLLMENT PER AUDIT
DAYS OF ENROLLMENT						
<i>Infants (up to 18 months)</i>						
Full-time-plus	101			-	2.006	-
Full-time	103	117	41	158	1.700	269
Three-quarters-time	105			-	1.275	-
One-half-time	107			-	0.935	-
FCCH Infants (up to 18 months)						
Full-time plus	101A			-	1.652	-
Full-time	103A			-	1.400	-
Three-quarters-time	105A			-	1.050	-
One-half-time	107A			-	0.770	-
Toddlers (18 up to 36 months)						
Full-time-plus	101B			-	1.652	-
Full-time	103B	297		297	1.400	416
Three-quarters-time	105B			-	1.050	-
On-half-time	107B			-	0.770	-
Three Years and Older						
Full-time-plus	111			-	1.180	-
Full-time	113	9,898	(642)	9,256	1.000	9,256
Three-quarters-time	115	4,450		4,450	0.750	3,338
One-half-time	117	15,598		15,598	0.550	8,579
Exceptional Needs						
Full-time-plus	121			-	1.416	-
Full-time	123			-	1.200	-
Three-quarters-time	125			-	0.900	-
One-half-time	127			-	0.660	-
Limited and Non-English Proficient						
Full-time-plus	131			-	1.298	-
Full-time	133			-	1.100	-
Three-quarters-time	135			-	0.825	-
One-half-time	137			-	0.605	-
Children at Risk of Abuse or Neglect						
Full-time-plus	141			-	1.298	-
Full-time	143			-	1.100	-
Three-quarters-time	145			-	0.825	-
One-half-time	147			-	0.605	-
Severely Handicapped						
Full-time-plus	151			-	1.770	-
Full-time	153			-	1.500	-
Three-quarters-time	155			-	1.125	-
One-half-time	157			-	0.825	-
TOTAL DAYS OF ENROLLMENT	190	30,360	(601)	29,759		21,857
DAYS OF OPERATION	169	250		250		
DAYS OF ATTENDANCE	179	28,953		28,953		

☐ NO NONCERTIFIED CHILDREN - Check this box and continue to Section III if no noncertified children were enrolled in the program.

**AUDITED FINAL FISCAL REPORT
for Alternative Payment or Family Child Care Home Programs**

Agency Name: XYZ Child Development, Inc. Vendor No. Z999

Fiscal Year End: June 30, 200X Contract No. F3TOxxxx

Independent Auditor's Name: Bean, Bean and Counter, CPA's

SECTION I - REVENUE	EDP NO.	Column A	Column B	Column C
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
Child Care Food/National School Lunch Program	302	\$0	\$0	\$0
Restricted income for operating costs	306			0
Cal Learn Program	308			0
Maintenance of Effort	339			0
Other:	312			0
SUBTOTAL	311	0	0	0
TRANSFER FROM RESERVE FUND	310	5,000		5,000
FAMILY FEES FOR CERTIFIED CHILDREN	329	14,000	1,000	15,000
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	349	350		350
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356			0
Other:	362			0
TOTAL REVENUE	390	\$19,350	\$1,000	\$20,350

SECTION II - EXPENSES

REIMBURSABLE EXPENSES				
Direct Payments to Providers	401	\$152,000	\$0	\$152,000
1000 Certificated Salaries	402	2,250		2,250
2000 Classified Salaries	404	2,750		2,750
3000 Employee Benefits	406	475		475
4000 Books and Supplies	408	5,000	600	5,600
5000 Services and Other Operating Expenses	412	250		250
6100/6200 Other Approved Capital Outlay	413	1,350		1,350
6400 New Equipment (program-related)	414	22,805		22,805
6500 Equipment Replacement (program-related)	416			0
Depreciation or Use Allowance	439			0
Start-Up Expenses (service level exemption)	447			0
Indirect Costs -- Rate: 5.61%	459	10,514		10,514
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			0
Other:	489			0
TOTAL EXPENSES	490	\$197,394	\$600	\$197,994
TOTAL ADMINISTRATIVE COST (included above)	690	\$14,250	\$0	\$14,250
DAYS OF OPERATION	169	250	(1)	249

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

Family fees were understated by \$1,000 due to an accounting misclassification. Books and supplies were understated by \$600 due to a math error. Days of Operation were overstated by one day because a holiday was erroneously included when counting the day

AUDITED FINAL ATTENDANCE AND FISCAL REPORT for School Age Community Child Care Services - Hours						
Agency Name: <u>XYZ Child Development, Inc.</u>		Vendor No. <u>Z999</u>				
Fiscal Year Ended: <u>June 30, 200X</u>		Contract No. <u>GLTKxxxx</u>				
Independent Auditor's Name: <u>Bean, Bean and Counter, CPA's</u>						
SECTION I - CERTIFIED CHILDREN	EDP NO.	COLUMN A CUMULATIVE FISCAL YEAR PER AGENCY	COLUMN B AUDIT ADJUSTMENTS	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT	COLUMN D ADJUSTMENT FACTOR	COLUMN E ADJUSTED DAYS OF ENROLLMENT PER AUDIT
HOURS OF ENROLLMENT						
<i>Kindergarten through Grade 9</i>	911	91,000		91,000	1.00	91,000
<i>Exceptional Needs</i>	921			0	1.20	0
<i>Limited and Non-English Proficient</i>	931			0	1.10	0
<i>Children at Risk of Abuse or Neglect</i>	941			0	1.10	0
<i>Severely Handicapped</i>	951			0	1.50	0
TOTAL HOURS OF ENROLLMENT	990	91,000	0	91,000		91,000
DAYS OF OPERATION	169	247		247		
HOURS OF ATTENDANCE	961	90,500		90,500		

☐ NO NONCERTIFIED CHILDREN - Check this box and continue to Section III if no noncertified children were enrolled in the program.

SECTION II - NONCERTIFIED CHILDREN

HOURS OF ENROLLMENT						
<i>Kindergarten through Grade 9</i>	913	109,000		109,000	1.00	109,000
<i>Exceptional Needs</i>	923			0	1.20	0
<i>Limited and Non-English Proficient</i>	933			0	1.10	0
<i>Children at Risk of Abuse or Neglect</i>	943			0	1.10	0
<i>Severely Handicapped</i>	953			0	1.50	0
TOTAL HOURS OF ENROLLMENT	992	109,000	0	109,000		109,000

Independent Auditor's Certifications on meeting the requirements of the California Department of Education, Child Development Division:

Attendance records are being maintained as required (check YES or NO):

☒ YES

☐ NO - Explain any discrepancies.

Attendance data reported in Column C, above, agree with the original supporting records,

such as sign-in/sign-out sheets and daily attendance records (check YES or NO):

☒ YES

☐ NO - Explain any discrepancies.

COMMENTS - If necessary, attach additional sheet(s) to explain information contained on this page:

AUDITED FINAL ATTENDANCE AND FISCAL REPORT for School Age Community Child Care Services - Hours				
Agency Name: <u>XYZ Child Development, Inc.</u>		Vendor No. <u>Z999</u>		
Fiscal Year End: <u>June 30, 200X</u>		Contract No. <u>GLTKxxxx</u>		
SECTION III - REVENUE	EDP NO.	COLUMN A CUMULATIVE FISCAL YEAR PER AGENCY	COLUMN B AUDIT ADJUSTMENT INCREASE OR (DECREASE)	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
CCF/National School Lunch Program	302	\$0	\$0	\$0
Restricted income for operating costs	308			0
Maintenance of Effort	339			0
Other (specify):	312			0
SUBTOTAL	311	0	0	0
TRANSFER FROM RESERVE FUND	310			0
FAMILY FEES FOR CERTIFIED CHILDREN	329			0
INTEREST EARNED ON CHILD CONTRACT PAYMENTS	349			0
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356			0
Cal Learn Program	358			0
Other (specify):	362			0
TOTAL REVENUE	390	\$0	\$0	\$0
SECTION IV - EXPENSES				
REIMBURSABLE EXPENSES				
1000 Certificated Salaries	402	\$162,000	\$0	\$162,000
2000 Classified Salaries	404	78,000		78,000
3000 Employee Benefits	406	47,100		47,100
4000 Books and Supplies	408	4,000		4,000
5000 Services/Other Operating Expenses	412	45,000		45,000
6100/6200 Other Approved Capital Outlay	413	8,400		8,400
6400 New Equipment (program-related)	414	3,000		3,000
6500 Replace Equipment (program-related)	416			0
Depreciation or Use Allowance	439	1,250		1,250
Start-Up Expenses (service level exemption)	449			0
Indirect Costs -- Rate %: 7.50%	459	26,250		26,250
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			0
Other nonreimbursable expenses (specify):				
	489			0
TOTAL EXPENSES	490	\$375,000	\$0	\$375,000
TOTAL ADMINISTRATIVE COST (in Sec. IV)	690	\$52,788	\$0	\$52,788

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

AUDITED FINAL REVENUE AND EXPENDITURE REPORT for One-Time-Only Contracts			
Agency Name: <u>XYZ Child Development, Inc.</u>		Vendor No. <u>Z999</u>	
Fiscal Year End: <u>June 30, 200X</u>		Contract No. <u>FLPCxxxx</u>	
Independent Auditor's Name: <u>Bean, Bean and Counter, CPA's</u>			
SECTION I - REVENUE	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME			
Child Care Food/National School Lunch Program	\$0	\$0	\$0
Cal Learn Program			0
Restricted income for operating costs			0
Maintenance of Effort	2,500		2,500
Other (specify):			0
SUBTOTAL	2,500	0	2,500
FAMILY FEES FOR CERTIFIED CHILDREN			0
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	250		250
NON-RESTRICTED INCOME			
Parent fees for noncertified children			0
Other (specify):			0
TOTAL REVENUE	\$2,750	\$0	\$2,750

SECTION II - EXPENDITURES

REIMBURSABLE			
1000 Certificated Salaries	\$2,250	\$0	\$2,250
2000 Classified Salaries	1,100		1,100
3000 Employee Benefits	150		150
4000 Books and Supplies	200		200
5000 Services and Other Operating Expenses	410		410
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)	500		500
6500 Equipment Replacement (program-related)			0
Depreciation or Use Allowance			0
Start-Up Expenses (service level exemption)			0
Indirect Costs -- Rate: 7.98%	390	(62)	328
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable capital outlay			0
Other nonreimbursable expenses (specify):			0
TOTAL EXPENSES	\$5,000	(\$62)	\$4,938
TOTAL ADMINISTRATIVE COST (included in section II above)	\$890	(\$62)	\$828

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

Reduced indirect costs to 8 percent maximum (rounded) on expenditure categories 1000 - 5000.

AUDITED FINAL REVENUE AND EXPENDITURE REPORT for One-Time-Only Contracts			
Agency Name: <u>XYZ Child Development, Inc.</u>		Vendor No. <u>Z999</u>	
Fiscal Year End: <u>June 30, 200X</u>		Contract No. <u>GIMSxxxx</u>	
Independent Auditor's Name: <u>Bean, Bean and Counter, CPA's</u>			
SECTION I - REVENUE	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME			
Child Care Food/National School Lunch Program	\$0	\$0	\$0
Cal Learn Program			0
Restricted income for operating costs			0
Maintenance of Effort			0
Other (specify):			0
SUBTOTAL	0	0	0
FAMILY FEES FOR CERTIFIED CHILDREN			0
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS			0
NON-RESTRICTED INCOME			
Parent fees for noncertified children			0
Other (specify):			0
TOTAL REVENUE	\$0	\$0	\$0

SECTION II - EXPENDITURES

REIMBURSABLE			
1000 Certificated Salaries	\$0	\$0	\$0
2000 Classified Salaries			0
3000 Employee Benefits			0
4000 Books and Supplies	370		370
5000 Services and Other Operating Expenses			0
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Equipment Replacement (program-related)			0
Depreciation or Use Allowance			0
Start-Up Expenses (service level exemption)			0
Indirect Costs -- Rate: 7.98%	30		30
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable capital outlay			0
Other nonreimbursable expenses (specify):			0
TOTAL EXPENSES	\$400	\$0	\$400
TOTAL ADMINISTRATIVE COST (included in section II above)	\$30	\$0	\$30

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

AUDITED FINAL RESERVE ACCOUNT CASH ACTIVITY REPORT for Alternative Payment Programs			
Agency Name: XYZ Child Development, Inc.			
Fiscal Year End: June 30, 200X		Vendor No. Z999	
Federally Insured Bank Name: Bank of the North		Bank Account No. xxxxx-xxxxx	
Independent Auditor's Name: Bean, Bean and Counter, CPA's			
ALTERNATIVE PAYMENT RESERVE ACCOUNT	COLUMN A	COLUMN B	COLUMN C
	PER AGENCY'S ACCOUNTING LEDGER	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	PER AUDIT
BEGINNING CASH BALANCE - Last Fiscal Year's Ending Cash Balance (Not from CDFS 9530)	\$17,414	\$0	\$17,414
PLUS CASH TRANSFERRED TO RESERVE ACCOUNT FROM CONTRACT(S) - During Current Fiscal Year:			
Contract No. F3TOxxxx	0		0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred to Reserve Account	0	0	0
SUBTOTAL	17,414	0	17,414
PLUS INTEREST CREDITED TO RESERVE ACCOUNT - During Current Fiscal Year	0	320	320
LESS CASH TRANSFERRED FROM RESERVE ACCOUNT TO CONTRACT(S) - During Current Fiscal Year:			
Contract No. F3TOxxxx	5,000		5,000
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred from Reserve Account	5,000	0	5,000
ENDING CASH BALANCE - This Fiscal Year	\$12,414	\$320	\$12,734
COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report: Contractor omitted interest earned and credited to bank account.			

AUDITED FINAL RESERVE ACCOUNT CASH ACTIVITY REPORT for Center Based Programs			
Agency Name: XYZ Child Development, Inc.			
Fiscal Year End: June 30, 200X		Vendor No. Z999	
Federally Insured Bank Name: Bank of the North		Bank Account No. xxxxx-xxxxx	
Independent Auditor's Name: Bean, Bean and Counter, CPA's			
CENTER BASED RESERVE ACCOUNT	COLUMN A	COLUMN B	COLUMN C
	PER AGENCY'S ACCOUNTING LEDGER	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	PER AUDIT
BEGINNING CASH BALANCE - Last Fiscal Year's Ending Cash Balance (Not from CDFS 9530)	\$37,576	\$0	\$37,576
PLUS CASH TRANSFERRED TO RESERVE ACCOUNT FROM CONTRACT(S) - During Current Fiscal Year:			
Contract No. GCTRxxxx	7,482		7,482
Contract No. FCTRxxxx	164,743		164,743
Contract No. GWAPxxxx	0		0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred to Reserve Account	172,225	0	172,225
SUBTOTAL	209,801	0	209,801
PLUS INTEREST CREDITED TO RESERVE ACCOUNT - During Current Fiscal Year			
	696		696
LESS CASH TRANSFERRED FROM RESERVE ACCOUNT TO CONTRACT(S) - During Current Fiscal Year:			
Contract No. GCTRxxxx	0		0
Contract No. FCTRxxxx	0		0
Contract No. GWAPxxxx	0		0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred from Reserve Account	0	0	0
ENDING CASH BALANCE - This Fiscal Year	\$210,497	\$0	\$210,497
COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:			

Auditor's Letterhead

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board of Directors
XYZ Child Development, Inc.

Compliance

We have audited the compliance of **XYZ Child Development, Inc.** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 200X. XYZ Child Development, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of XYZ Child Development, Inc.'s management. Our responsibility is to express an opinion on XYZ Child Development, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about XYZ Child Development, Inc.'s compliance with those requirements and performing such other procedures, as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on XYZ Child Development, Inc.'s compliance with those requirements.

In our opinion, XYZ Child Development, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 200X. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 200X-6 and 200X-7.

Internal Control Over Compliance

The management of XYZ Child Development, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered XYZ Child Development, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**Report on Compliance With Requirements Applicable to Each Major
Program and on Internal Control Over Compliance in Accordance
With OMB Circular A-133
(Continued)**

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect XYZ Child Development, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 200X-6 and 200X-7.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Of the reportable conditions described above, we consider item 200X-6 to be a material weakness.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bean, Bean & Counter
Certified Public Accountants

September 30, 200X

XYZ Child Development, Inc.
Schedule of Findings and Questioned Costs

Year Ended June 30, 200X

A. Summary of Auditor's Results

I. Financial Statements

1. The Independent Auditor's Report on the financial statements of XYZ Child Development, Inc. expressed an unqualified opinion.
2. Internal Control over Financial Reporting:
 - a. Reportable conditions were disclosed in the audit of the financial statements.
 - b. None of the reportable conditions, in 2a above, were considered to be a material weakness.
 - c. Non-compliance was disclosed but was not material to the financial statements.

II. Federal Awards

1. Internal Controls Over Major Programs:
 - a. Two reportable conditions were disclosed in the audit of federal awards.
 - b. One of the reportable conditions, in 1a above, is reported as a material weakness.
2. The auditor's report on compliance for the major federal awards programs for XYZ Child Development, Inc. expressed an unqualified opinion.
3. Two audit findings are reported in B.II, Findings and Questioned Costs, in accordance with OMB Circular A-133, Section 510(a).
4. The programs tested as major programs are identified as follows;

CFDA Number:

Name of Federal Program:

10.558

Child and Adult Care Food Programs

13.600

Headstart Program

93.757

Child Care and Development Block Grant

5. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
6. XYZ Child Development, Inc. did not qualify as a low-risk auditee under OMB Circular A- 133, Section 530.

XYZ Child Development, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 200X

B. Findings and Questioned Costs:

I. Financial Statement Audit

Questioned
Cost

Reportable Conditions

Finding 200X-1. Attendance Record Keeping

- None -

Condition: During our review of attendance, we found several instances where incorrect attendance time was reported; full-time which should be half time; three quarter time, which should be full-time; and unexcused absences considered excused absences. We do not believe this reportable condition is a material weakness and no financial adjustment was necessary.

Recommendation: Periodic reviews should be made of the center's attendance records to ensure proper accounting of hours and correct classification of excused and unexcused absences. School age children should be reviewed for contract hours in September when school starts to ensure that contract hours are reduced for time spent in school.

Response: Periodic review will be made by administrative personnel. School age children contract hours will be reviewed in September.

Finding 200X-2. Equipment Expenditures

\$18,826

Condition: One of the equipment expenditures tested in the Center and Block Grant Child Development programs was for the purchase of a Chevrolet Lumina automobile without prior approval from the Child Development Division (CDD). We do not believe this reportable condition is a material weakness.

Recommendation: Management should obtain confirmation of prior CDD approval for any anticipated expenditures that exceed the \$7,500 limit and which may be considered questionable as to a reimbursable cost.

Response: Management has been informed by CDD that the questioned cost is non-reimbursable and should be disallowed.

Finding 200X-3. Prohibition Against Loans/Advances

Condition: During our test of the Agency's interfund receivable and payable account transactions, we found that a total of \$250,000 in Child Development Program (CDP) funds were transferred to the non-government sponsored programs during the year. These transfers are considered loans and are in violation of CDP's Funding Terms and Conditions.

Recommendation: Management should restrict the use of state contract cash to contract/grant related expenditures only. Management should implement procedures to secure, and have available, sources of interim financing. In addition, management should immediately pay back the \$250,000 to the CDP.

Response: Management has been informed by the Child Development Division that fiscal action resulting in a Conditional Contract status will be implemented. Management has agreed to repay the \$250,000 loan to CDP and implement the recommended procedures as soon as possible.

XYZ Child Development, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 200X

B. Findings and Questioned Costs (continued):

I. <u>Financial Statement Audit</u>	<div style="border-bottom: 1px solid black; display: inline-block;">Questioned Cost</div>
-------------------------------------	---

Reportable Conditions	None
------------------------------	------

Finding 200X-4. Bank Account Reconciliations

Condition: The payroll account was not reconciled during the year. The payroll account is maintained on an imprest basis. Although management has developed and documented accounting procedures, which require reconciliation of all bank accounts, these procedures were not followed as they relate to the payroll account. We do not believe this reportable condition is a material weakness.

Recommendation: The bank reconciliation process is of utmost importance because it provides a very effective internal control procedure. We recommend that accounting personnel follow procedures, which are established to ensure that bank reconciliations are performed both timely and accurately each month.

Response: Management agreed that frequent reconciliations are necessary and will implement monthly reconciliations from and after July 1, 200X.

Finding 200X-5. Excess Indirect Costs	- None -
--	----------

Condition: Indirect costs of \$2,204 in excess of the 8% maximum allowed by CDP's contract FT&C's were charged to the Center and Block Grant, Before and After School Expansion and CDD Block Grant Local Planning Council Child Development programs. In accordance with CDP's FT&C's, indirect costs cannot be charged on capital outlay expenditures in the 6000 series accounts in the California School Accounting Manual. We do not believe this reportable condition is a material weakness and the adjustments are reflected in the audited financial statements.

Recommendation: Management should implement procedures to accurately calculate and allocate indirect costs to the CDD programs.

Response: Management will adopt the recommendation, effective July 1, 200X.

II. Major Federal Award Programs Audit

Reportable Conditions

Finding 200X-6. Equipment Records - All federal programs	- None -
---	----------

Condition: During our review of fixed assets, we found that equipment records do not contain all of the information required by OMB Circular A-110 because management was unaware of the detailed information required in the record keeping. We believe this reportable condition is a material weakness.

Recommendation: Management should implement a system to track all required elements of the federal equipment, including a description, identification number, source and award number, acquisition date or date received, cost, percentage of federal participation, location and condition of equipment, and disposition data, including date and proceeds from disposition.

Response: Management has agreed to implement the required tracking system.

XYZ Child Development, Inc.
Schedule of Findings and Questioned Costs

Year Ended June 30, 200X

B. Findings and Questioned Costs (continued):

Questioned
Cost

II. Major Federal Award Programs Audit

Reportable Conditions

Finding 200X-7. Child and Adult Care Food (CFDA No. 10.558)

- None -

Condition: During our review of meals, we found that 2 of 16 files tested for eligibility did not contain applications. We made no adjustments to the meal schedule because the total meal was less than \$100.

We do not believe this reportable condition is a material weakness.

Recommendation: Management should implement procedures to assist the Agency in maintaining participants' applications.

Response: Management has agreed to implement the required procedures.

XYZ Child Development, Inc.
Schedule of Findings and Questioned Costs

Year Ended June 30, 200X

C. Status of Prior Year Findings:

I. Financial Statement Audit

Questioned
Cost

Reportable Conditions

200X - Finding 1: Child Development, General Center Child Care, Contract # GCTRxxxx - None -

Condition: In a test of 16 attendance records, there was one record for a child in which two unexcused absences were reported to CDE's Education Finance Division (EFD) as excused. The error was due to an undetected error in processing.

Recommendation: The auditor recommended that management should thoroughly review attendance records before they are submitted to EFD.

Response: The recommendation was implemented by management in November 200X. No similar findings were noted in the 200X audit.

200X - Finding 2: Journals - None -

Condition: Adjusting journal entries and general ledger was not provided monthly by the accounting firm.

Recommendation: The auditor recommended that management should implement accounting controls with its Business Officer to monitor and ensure the receipt of these financial records from its accounting firm on a monthly basis.

Response: The recommendation was adopted by management in November 200X. No similar findings were noted in the 200X audit.

200X - Finding 3: Child Development Programs - None -

Condition: The Agency did not maintain detail of government-owned equipment purchases.

Recommendation: The auditor recommended that management should implement a system to track, identify and account for all equipment purchased with CDD contract funds.

Response: Management implemented a system in December 200X.

II. Major Federal Award Programs Audit: 200X – None

Report ID : 33399

Part I: GENERAL INFORMATION	
1. Fiscal year ending date for this submission (mm/dd/yyyy) 06/30/2001	2. Type of A-133 audit <input checked="" type="radio"/> Single Program-specific audit
3. Audit period covered <input checked="" type="radio"/> Annual Other Months Biennial	4. Date received by clearinghouse
5. Employer Identification Number (EIN) a. Auditee EIN 958153621	b. Are multiple EINS covered in this report? Yes <input checked="" type="radio"/> No

DRAFT

NOT FOR SUBMISSION

DRAFT

6. AUDITEE INFORMATION	7. AUDITOR INFORMATION
a. Auditee name XYZ CHILD DEVELOPMENT, INC.	a. Auditor name BEAN, BEAN & COUNTER, CPA'S
b. Auditee address (Number and street) 1000 N. MAIN STREET	b. Auditor address (Number and street) 1234 NITPICK LANE
City SMALLTOWN	City BEANTOWN
State Zip Code CA 95815 -	State Zip Code CA 95758 -
c. Auditee contact Name I.M. ANONYMOUS	c. Auditor contact Name G. BEAN
Title EXECUTIVE DIRECTOR	Title PARTNER
d. Auditee contact telephone (916) 555 - 1212	d. Auditor contact telephone (916) 123 - 4567
e. Auditee contact FAX (Optional) () -	e. Auditor contact FAX (Optional) () -
f. Auditee contact E-mail (Optional)	f. Auditor contact E-mail (Optional)

DO NOT SUBMIT THIS COPY. Once all errors have been corrected a FINAL copy should be printed for submission.

Report ID : 33399

Part I: GENERAL INFORMATION - Continued

8. Did the auditee expend more than \$25,000,000 in Federal awards during the fiscal year? (Mark (x) one box)

Yes - Identify Cognizant Agency in Part I, Item 9

☒ No - SKIP to Part II,
Item 1

9. Indicate which Federal awarding agency provided the predominant amount of direct funding in fiscal year 2000. (Mark (x) one box) However, if cognizance has been reassigned, see instructions

DRAFT**NOT FOR SUBMISSION****DRAFT****Part II: FINANCIAL STATEMENTS (To be completed by auditor)**

1. Type of audit report (Mark (x) one box)

☒ Unqualified opinion ☐ Qualified opinion ☐ Adverse opinion ☐ Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report?

Yes ☒ No

3. Is a reportable condition disclosed?

☒ Yes ☐ No - SKIP to Item 5

4. Is any reportable condition reported as a material weakness?

☒ Yes ☐ No

5. Is a material noncompliance disclosed?

Yes ☒ No**Part III: FEDERAL PROGRAMS (To be completed by auditor)**

1. Type of audit report on major program compliance

☒ Unqualified opinion ☐ Qualified opinion ☐ Adverse opinion ☐ Disclaimer of opinion

2. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending greater than \$300,000 in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA SOP 98-3 chapter 10)

Yes ☒ No3. What is the dollar threshold to distinguish Type A and Type B programs? (§ .520(b)) Round to the nearest dollar.
\$300000.00

4. Did the auditee qualify as a low-risk auditee? (§ .530)

Yes ☒ No

5. Is a reportable condition disclosed for any major program? (§ .510(a)(1))

☒ Yes ☐ No - SKIP to Item 7

6. Is any reportable condition reported as a material weakness? (§ .510(a)(1))

☒ Yes ☐ No

7. Are any known questioned costs reported? (§ .510(a)(3) or (4))

Yes ☒ No

8. Was a Summary Schedule of Prior Audit Findings prepared? (§ .315(b))

☒ Yes ☐ No

9. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings, as shown in the Summary Schedule of Prior Audit Findings, related to direct funding. (Mark (x) all that apply.) Each agency identified is required to receive a copy of the reporting package.

10 ☒ Department of Agriculture93 ☒ Department of Health and Human Services

In addition, one copy each of the reporting package is required for:

1the Federal Audit Clearinghouse archives

0and, if not marked above, the cognizant agency (if identified in Part I, Item 9)

3Total number of reporting packages to be submitted

